

IN THE EXECUTIVE ETHICS COMMISSION  
OF THE STATE OF ILLINOIS

In re: ERWIN MCEWEN                     )  
YVONNE HARRIS                         )  
DARLENE CANNON                     )  
FRANCES ELBERT and                 )  
DANIEL FITZGERALD                 )

OEIG Case # 10-01182

OEIG FINAL REPORT (REDACTED)

Below is a final summary report from an Executive Inspector General. The General Assembly has directed the Executive Ethics Commission ("Commission") to redact information from this report that may reveal the identity of witnesses, complainants or informants and "any other information it believes should not be made public." 5 ILCS 430/20-52(b).

The Commission exercises this responsibility with great caution and with the goal of balancing the sometimes-competing interests of increasing transparency and operating with fairness to the accused. In order to balance these interests, the Commission may redact certain information contained in this report. The redactions are made with the understanding that the subject or subjects of the investigation have had no opportunity to rebut the report's factual allegations or legal conclusions before the Commission.

The Commission received a final report from the Governor's Office of Executive Inspector General ("OEIG") and a response from the agency in this matter. The Commission redacted the final report and mailed copies of the redacted version and responses to the Attorney General, the Governor's Executive Inspector General and to Erwin McEwen, Yvonne Harris, Darlene Cannon, Frances Elbert and Daniel Fitzgerald at their last known addresses.

These recipients were given fifteen days to offer suggestions for redaction or provide a response to be made public with the report. The OEIG proposed an additional 22 substantive redactions and the redaction of 36 names, but the Commission has decided that the public would be better served by more transparency. Certain information contained in the proposed public response may have been redacted in accordance with the Commission's determination that it should not be made public. The Commission, having reviewed all suggestions received, makes this document available pursuant to 5 ILCS 430/20-52.

# Executive Summary

This Final Report is the result of a joint investigation by the Office of the Inspector General for the Department of Children and Family Services (OIG-DCFS) and the Office of Executive Inspector General for the Agencies of the Illinois Governor (OEIG). The report details the large-scale fraud Dr. George E. Smith, an individual whom DCFS Director Erwin McEwen described as his “personal friend and mentor,” practiced upon the State. This report also reveals that Dr. Smith and Director McEwen failed to cooperate in this investigation and that numerous other State agencies failed to adequately monitor grants awarded to Dr. Smith and his business entities.

Between 2008 and 2011, Dr. Smith and four business entities he owned, namely:

- 1) Diversified Behavioral Comprehensive Care (DBCC);
- 2) Diversified Behavioral Services, Inc. (Diversified Inc.);
- 3) Management Planning Institute Inc. (MPI); and
- 4) The Institute for Positive Child and Family Development (IPCFD),

were awarded over \$18 million in grants from numerous State agencies. In 2008, DCFS awarded Dr. Smith grants totaling \$2,622,392. By 2011, the amount of the grants DCFS was awarding Dr. Smith had increased to \$3,121,707.

Dr. Smith’s fraud continued for so long, in part, due to lack of DCFS oversight. At least one annual \$450,000 DCFS grant awarded to him went completely unmonitored for years. Other DCFS grants awarded to Dr. Smith had little to any fiscal or programmatic oversight. As a result, Dr. Smith received millions of dollars of grant funds for services that cannot be substantiated. The lack of oversight also led to other improprieties. Under one DCFS grant, Dr. Smith’s staff dispensed psychotropic drugs to children without acquiring the necessary written permission from DCFS Guardians or without determining the proper dosage.

Although this investigation primarily focused upon grants awarded by DCFS and the subsequent conduct of DCFS employees, the investigation revealed that other State agencies including: Chicago State University, the Illinois Department of Human Services, and the Illinois State Board of Education, paid Dr. Smith grant funds with little or no effort to determine whether services were actually provided. In short, DCFS and other State agencies failed to adequately monitor the grants they awarded to Dr. Smith, facilitating his receipt of millions in State funds.

During the course of the investigation, OIG-DCFS investigators subpoenaed Dr. Smith for documentation that would support the receipt of payment for services that he or others allegedly rendered under one or more of the grants. Dr. Smith provided to investigators some of the same documents that he provided to DCFS and other agencies during the grant periods, but which did not support the receipt of State funds. After reviewing the various documents, investigators discovered numerous irregularities relating to the receipt of hundreds of thousands of dollars in State funds, including the following improprieties:

### ***Forged Signatures***

Dr. Smith and his business entities submitted more than 100 documents containing the forged signatures of heads of numerous community agencies (including 100 Black Men, Dreamcatchers Foundation and Alliance for Community Peace) purporting to verify services others provided for DBCC under a grant.

### ***Excessive Grant Funds for Unknown Services***

Dr. Smith and his business entities improperly obtained \$158,835 in excessive grant funds in FYs 2008 and 2009 by doctoring programmatic “fiscal agent” budgets.

### ***Excessive Administrative Expenses***

Dr. Smith and his business entities improperly obtained excessive administrative expenses in excess of the 20% allowed by law.

### ***Ghost Employees***

Dr. Smith and his business entities improperly billed for non-existent employees, inducing approximately \$100,000 in payments per year.

### ***Suspicious Expense Reports***

Dr. Smith and his business entities improperly sought reimbursement for non-reimbursable items, including liquor, office printers, cable television bills, and a money order.

### ***Falsified Credentials***

Dr. Smith falsely certified “under penalty of perjury” that he was a psychiatrist.

### **Investigative Interviews**

When investigators had the opportunity to question Dr. Smith about the numerous irregularities and falsifications in his recordkeeping, he repeatedly made evasive and non-responsive statements, such as:

- he would have to “check into” how the numbers were calculated;
- he was “again not certain” about billing;
- he was “not certain” how they were submitted; and,
- he “would have to go back” and look at “his records.”

Dr. Smith deflected blame to others when questioned about irregularities in the documents. For instance, when he was asked why grant funds were not properly accounted for, he stated that his accountant should have made the allocation, because accounting was not his “area of expertise.” Further, when he was asked why he identified himself and signed his name as a psychiatrist on State forms, he stated the error was made by “whoever completed” that paperwork. The investigation revealed that during the grant period Dr. Smith ignored or tried to intimidate DCFS employees who attempted to monitor the grants. For example, when a DCFS employee asked Dr. Smith for documentation to support services under a \$450,000 grant, Dr.

Smith told the employee that he had “enough documents,” does not report to him (the DCFS employee), and only reported to “Mac,” a nickname for Director McEwen.

The investigation revealed that Director McEwen apparently ignored repeated “red flags” that DCFS employees raised about Dr. Smith.

When investigators questioned Director McEwen about Dr. Smith’s activities, he offered non-responsive responses similar to those offered by Dr. Smith. For example, when Director McEwen was asked why he continued to award Dr. Smith millions of dollars in grants year after year when the records did not demonstrate Dr. Smith was performing, Director McEwen stated, “yes, performance matters,” but “I rely on deputies to give input and no deputy brought any issues to my attention.” Director McEwen similarly tried to transfer blame to others, including agency staff. For example, when he was asked about the excess “fiscal agent” fees, he stated, “we did not do a good job of monitoring this contract. My people did not do their job.” In fact, even after being asked if the ultimate responsibility falls on the DCFS Director, Director McEwen responded, “Yes, but I have to rely on my staff.”

In any event, the course of the investigation was cut short by Dr. Smith’s and Director McEwen’s refusal to cooperate with investigators. Investigators were unable to ascertain the full extent of Dr. Smith’s misconduct and it is unclear what effect, if any, Director McEwen’s personal relationship with Dr. Smith had on allowing Dr. Smith’s fraud to continue unchecked. There is little doubt, however, that Dr. Smith used his personal relationship with Director McEwen to repeatedly rebuff DCFS employees’ efforts to monitor his activities because in Dr. Smith’s words, he only answered to “Mac.”

Nonetheless, the investigation revealed that Director McEwen failed: to maintain an effective internal control system; to effectively and efficiently manage DCFS and establish an effective system of internal control; to ensure that grants received or made by DCFS were monitored, administered, and accounted for in accordance with applicable laws and regulations; and, to safeguard against waste, loss, unauthorized use, and misappropriation.

Office of Executive Inspector General for the  
Agencies of the Illinois Governor

and

Office of the Inspector General for the Department  
of Children and Family Services

Investigation Case Nos. 10-01182 and 10-OIG-2622



*As required under the State Officials and Employees Ethics Act ("Ethics Act"), this Final Report is submitted to the appropriate ultimate jurisdictional authority and the head of each State agency affected by or involved in the investigation. Pursuant to the Ethics Act, this Final Report and any attachments are CONFIDENTIAL and are not subject to the Freedom of Information Act. The Final Report and attachments may be disclosed only on a need-to-know basis to those persons the head of each affected or involved State agency has deemed necessary, as well as to the subject(s) of the investigation. Neither this Final Report nor any information contained herein may be shared with anyone outside the affected or involved agency, the appropriate ultimate jurisdictional authority, or the subject(s) without the express prior authorization of the Executive Inspector General.*

## Table of Contents

<b>I. BACKGROUND .....</b>	<b>1</b>
<b>A. Initiation of Investigation .....</b>	<b>1</b>
<b>B. DBCC and Other Dr. Smith Business Entities .....</b>	<b>1</b>
1. DBCC Organization.....	1
2. Diversified Behavioral Services, Inc. ....	1
3. Management Planning Institute, Inc. ....	2
4. The Institute for Positive Child and Family Development, Inc. ....	2
5. Ed's Investments, Inc.....	2
<b>C. State and City Agencies that Awarded Grants to Dr. Smith .....</b>	<b>2</b>
1. DCFS Grants Awarded to Dr. Smith's DBCC.....	2
a) Students at Risk Grant .....	3
b) Youth Stabilization Network/Child and Youth Investment Team Grant.....	3
c) Psychiatry for Adolescents and Children in Transition Grant .....	3
d) Paternal Involvement Center Grant .....	4
e) Fiscal Agent Grants—Family Advocacy Centers.....	4
2. Illinois Department of Human Services—DASA Grant Awarded to Diversified, Inc.	4
3. Illinois Department of Public Health Grant Awarded to DBCC .....	4
4. Illinois Department of Commerce & Economic Opportunity Grant Awarded to DBCC	4
5. Illinois State Board of Education Grant Awarded to DBCC .....	5
6. Chicago State University Sub-Grant Contract Awarded to IPCFD.....	5
7. City of Chicago Grant Awarded to DBCC .....	5
8. Chicago Board of Education Grants Awarded to MPI .....	5
9. Summary of Grants .....	5
<b>II. DOCUMENTS REVIEWED AND INDIVIDUALS INTERVIEWED .....</b>	<b>7</b>
<b>A. Scope of the Grants Reviewed .....</b>	<b>7</b>
<b>B. Documents Reviewed .....</b>	<b>8</b>
1. Documents Obtained From State Agencies .....	8
a) Receipts Relating to Liquor .....	8
b) Receipts Relating to Office Printers .....	8
c) Receipts Relating to Cable Television.....	8
d) Receipts Relating to a Money Order.....	8
2. Documents obtained from Dr. Smith.....	9
a) Expenditure Confirmation Reports .....	9
b) Client Verification Sheets .....	9
c) Invoices .....	9
d) Payroll Records.....	10

e) Client Lists.....	10
f) Daily Records of Services Provided .....	10
g) Other Documentation.....	10
<b>C. Witnesses Interviewed .....</b>	<b>11</b>
<b>III. DCFS GRANT PROCESS AND GRANTS AWARDED TO DBCC.....</b>	<b>13</b>
<b>A. DCFS Contracts .....</b>	<b>13</b>
1. DCFS Contract (Grant) Monitors .....	13
2. Quarterly Cost Reports .....	14
<b>IV. DR. SMITH’S FRAUDULENT ACTIVITIES RE: DHS—DASA GRANT .....</b>	<b>14</b>
<b>A. Background, Interview of DHS—DASA Contract Manager Maybeth White.....</b>	<b>14</b>
<b>B. FY 2009 DHS—DASA Grant and Related False or Fraudulent Documents .....</b>	<b>15</b>
1. Alliance for Community Peace—DASA Services .....	15
a) Documents Reviewed—Alliance for Community Peace.....	16
b) Interviews—Alliance for Community Peace .....	16
2. Dreamcatcher Foundation—DASA Services .....	17
a) Documents Reviewed — Dreamcatcher Foundation.....	17
b) Interviews—Dreamcatcher Foundation .....	17
3. 100 Black Men of Chicago, Inc.—DASA Services.....	18
a) Documents Reviewed — 100 Black Men of Chicago .....	18
b) Interviews – 100 Black Men of Chicago .....	18
4. Langston Hughes Elementary—DASA Services.....	19
a) Documents Reviewed — Langston Hughes Elementary .....	19
b) Interviews—Langston Hughes School Staff.....	20
5. [Support Services Agency]—DASA and Students at Risk Grant Services .....	20
a) Documents Reviewed—[Support Services Agency] .....	21
b) Interviews—[Support Services Agency] .....	21
<b>V. DR. SMITH’S PRODUCTION OF SAME DOCUMENTS .....</b>	<b>22</b>
<b>A. Dr. Smith’s Production of Same Documents.....</b>	<b>22</b>
1. Same Documents Relating to: DCFS and DPH.....	22
2. Same Invoice: Better Life for Youth .....	23
3. Same Documents Relating to: DCFS, ISBE, and CPS .....	23
4. Same Documents Relating to: Hales Franciscan High School .....	24
a) Documents Reviewed—Hales Franciscan High School.....	24
b) Interview of Arthur Reliford—Hales Franciscan High School .....	25
<b>VI. ISBE’S STUDENT SUPPORT SERVICES GRANT AWARDED TO DR. SMITH..</b>	<b>25</b>
<b>A. ISBE Awards Dr. Smith a \$342,000 Grant for FY 2009 .....</b>	<b>25</b>
<b>B. Interview of ISBE Consultant Janice Thornhill .....</b>	<b>26</b>

C. Interview of Lewis School Principal Sharon Brown-Haynes.....	27
1. Principal Sharon Brown-Haynes—Duties and Responsibilities.....	27
2. Principal Sharon Brown-Haynes’s Review of FY 2009 ISBE Documents .....	27
3. Principal Sharon Brown-Haynes and Dr. George Smith .....	27
4. Principal Sharon Brown-Haynes’s Selection of Dr. Smith’s MPI.....	28
<b>VII. DISALLOWABLE EXPENSES AND MISREPRESENTATIONS .....</b>	<b>29</b>
A. Disallowable Rental Expenses.....	29
B. Misrepresentation (Ghost) Salaries and Expenses—FCRC and YSN/CAYIT .....	29
1. Family and Community Resource Center.....	29
2. Youth Stabilization Network/Child and Youth Investment Team.....	31
a) Unknown Therapist in DBCC’s YSN Budget .....	31
b) Unknown CAYIT Consultants in DBCC Budget .....	32
c) Pleshette Hamb’s \$75,000 Yearly YSN Salary .....	32
d) DCFS Requests to Produce Additional YSN Documentation .....	32
C. Misrepresentations Relating to Administrative and Direct Expense—FCRC.....	33
D. Misrepresentation of Dr. Smith as a Psychiatrist .....	33
<b>VIII. DR. SMITH’S BUSINESS ENTITIES COMMINGLE FUNDS/EXPENSES .....</b>	<b>33</b>
A. MPI Consultants Glenn Morris and Angela Scott.....	33
B. MPI Consultant [consultant] .....	34
C. So-Called “Loans” Between Entities.....	34
<b>IX. DCFS FAILED TO MONITOR GRANTS AWARDED TO DR. SMITH .....</b>	<b>34</b>
A. DCFS’s Failure to Monitor Students at Risk Grants .....	34
1. Interview of DCFS Coordinator Ken Broady .....	34
2. Interview of Former DCFS Deputy Director Cynthia Moreno.....	36
3. Interview of DCFS Coordinator Kevin Walsh.....	37
a) Students at Risk “Red Flags” .....	37
b) The April 16, 2009 Letter to Dr. Smith .....	37
c) The June 12, 2009 Letter to Dr. Smith.....	38
d) The June 24, 2009 Letter to Dr. Smith.....	38
e) The Fourth Quarter Cost Report .....	38
f) The September 1, 2009 Memorandum.....	39
4. Interview of DCFS Business Manager Darlene Cannon .....	39
5. Interview of DCFS Associate Deputy Frances Elbert .....	40
a) Students at Risk—Monitoring Failures .....	40
b) DBCC’s 2009 Fourth Quarter Cost Report.....	42
6. Interview of DCFS Deputy Director Daniel Fitzgerald.....	42
a) Discovery of DBCC Grant and Restructuring .....	42
b) DBCC’s FY 2009 Fourth Quarter Cost Report.....	43
B. Failure of DCFS to Re-Evaluate Youth Stabilization Program Expenses .....	44



1. Reduction in Number of Youth DBCC Served.....	44
<b>X. DCFS DEPUTY DIRECTOR DR. CYNTHIA TATE'S DISCOVERIES .....</b>	<b>45</b>
<b>A. Dr. Cynthia Tate's Initial Efforts to Monitor DBCC's PACT Grant.....</b>	<b>45</b>
1. Prescribing Psychotropic Medication to Wards without Consent .....	46
2. Discovery of a Lack of Consent Forms and Necessary Equipment.....	46
3. Successful Termination of DBCC's PACT Grant .....	47
<b>XI. INTERVIEW OF DCFS DIRECTOR ERWIN McEWEN .....</b>	<b>47</b>
<b>A. DCFS Director Erwin McEwen, Employment Background.....</b>	<b>47</b>
<b>B. DCFS Director McEwen and Dr. Smith .....</b>	<b>48</b>
<b>C. DCFS Director McEwen's Monitoring of the DBCC Students at Risk Grant.....</b>	<b>48</b>
<b>D. DCFS Director McEwen and the Separation of Duties.....</b>	<b>49</b>
<b>E. DCFS Director McEwen and the Monitoring of FCRC Grants.....</b>	<b>49</b>
<b>F. DCFS Director McEwen's Knowledge of DCFS Grant Monitoring and Process ....</b>	<b>50</b>
<b>G. DCFS Director McEwen's Reason For Approving DBCC's PACT Grant.....</b>	<b>51</b>
<b>XII. DCFS TERMINATES ALL DBCC GRANTS AND SEEKS REIMBURSEMENT ...</b>	<b>52</b>
<b>A. DCFS Terminates DBCC's Grants .....</b>	<b>52</b>
1. Interview of DCFS Reimbursement Specialist Janet McKeown.....	52
a) DCFS's January 12, 2011, Excess Revenue Determination .....	52
b) DCFS's April 6, 2011, Excess Revenue Determination .....	53
2. Interview of DCFS Chief Financial Officer Robert Stanek.....	53
a) DCFS's Payment of DBCC's \$112,500 Voucher Form .....	53
b) DCFS's Third Quarter Reconciliations and Excess Revenue Determinations .....	54
c) DBCC's Excess Revenue Determinations and Scheduled DCFS Audit .....	54
<b>XIII. CHICAGO STATE UNIVERSITY MONITORING OF IPCFD GRANT .....</b>	<b>55</b>
<b>A. Failure to Monitor the Grant.....</b>	<b>55</b>
1. Interview of Angela Hopgood-Miller .....	55
2. Interview of Former Associate Vice President Dr. Ken Koroma .....	56
3. Interview of CSU Interim Associate Vice President Dr. Yvonne Harris .....	56
4. Interview of [City of Chicago Manager] .....	57
5. Interview of Deputy Commissioner of Family Support Services Vanessa Rich.....	57
<b>XIV. DCEO GRANT AWARDED TO DR. SMITH .....</b>	<b>58</b>
<b>A. Interview of DCEO Manager of Accountability Program Shelly Banks.....</b>	<b>58</b>
<b>B. DCEO Monitors DBCC's \$450,000 Counseling and Tutoring Grant.....</b>	<b>59</b>
<b>C. DCEO Suspends DBCC and Recovers \$356,000 in Grant Funds .....</b>	<b>61</b>
<b>XV. WITNESSES' NON-COOPERATION.....</b>	<b>61</b>
<b>A. Dr. Smith and Ms. Hamb Initially Meet with OIG-DCFS Investigators.....</b>	<b>61</b>
1. Illinois Charitable Organization Annual Reports (Form AG990-IL) 2007-2009.....	61
2. Regarding Variances in FY 2008 and 2009 YSN/CAYIT DBCC Audit.....	61

3. DBCC's YSN and CAYIT Programs .....	62
4. DBCC's DCFS Students at Risk Grant and ISBE Student Services Grant .....	63
<b>B. Dr. Smith Refuses to Meet with OEIG Investigators .....</b>	<b>63</b>
<b>C. Dr. Smith Employees Diane Grant and Pleshette Hamb Fail to Cooperate .....</b>	<b>64</b>
<b>D. DCFS Director Erwin McEwen Fails to Cooperate.....</b>	<b>64</b>
<b>XVI. ANALYSIS AND INVESTIGATIVE FINDINGS.....</b>	<b>65</b>
<b>A. Controlling State Laws, Rules, Regulations and Relevant Contract Provisions.....</b>	<b>65</b>
1. Illinois False Claims Act.....	65
2. Illinois Procurement Code .....	66
3. Illinois' Auditing, Accounting, Fiscal Control and DCFS Laws.....	66
a) Chief Executive Officer Responsibility .....	66
b) Voucher Forms.....	66
4. Illinois Administrative Rules .....	67
5. Form AG990-IL's .....	68
6. DCFS Standard Grant Contractual Terms and Conditions.....	68
7. Ethics Act Requirement to Cooperate.....	70
<b>B. Dr. Smith and Related Business Entities Investigative Findings.....</b>	<b>70</b>
1. Dr. Smith Produced False and Fraudulent Documents.....	70
a) Forged Signatures of Providers on Client Verification Sheets .....	70
b) Genuine Signatures with Intentionally Misleading Information .....	71
c) Forged Signatures and False Information on Client Verification Sheets .....	71
2. Dr. Smith Submitted the Same Documentation Under Multiple Grants .....	72
a) Same Invoices for Students at Risk Grant and HIV/AIDS Training Grant .....	72
b) Same Invoices for Students at Risk Grant and ISBE Student Support Services Grant and HIV/AIDS Awareness Grant .....	72
c) DBCC Did Not Expend Funds for Every Invoice Submitted.....	72
d) Smith's Businesses Were Paid for Same Services by Different Grants .....	73
e) Smith's Entities Billed Three Agencies for the Same Services .....	73
f) Dr. Smith's Apparent "Cut-and-Paste" Error Reflects Duplicate Billing.....	73
3. Dr. Smith Obtained Payment for Employees and Services That Did Not Exist.....	74
a) Excessive Fiscal Agent Fees under DCFS's FCRC Contract.....	74
b) YSN Therapist Did Not Exist .....	74
c) CAYIT Consultants Did Not Exist .....	74
4. Dr. Smith Obtained Payment for Disallowable Expenses and Made Misrepresentations .....	75
a) Disallowable Rental Expense .....	75
b) Dr. Smith Misrepresents Ownership Interest in Property .....	75
c) Pleshette Hamb's \$75,000 Per Year YSN/CAYIT Salary.....	76
d) Disallowable Expenses for Washington D.C. Trip.....	76
e) Disallowable Administrative Expenses .....	76

5. Dr. Smith Commingled Grant Funds .....	77
a) Three MPI Consultants Paid Via DBCC Account .....	77
b) Undocumented Loans Between Smith-Controlled Entities .....	77
c) Dr. Smith Paid Thousands for Sporting Event Tickets.....	77
6. Dr. Smith Misrepresented His Professional Credentials.....	78
7. Dr. Smith's Improper Medical Care .....	78
8. Dr. Smith's Failure to Cooperate with DCFS Staff.....	78
9. Dr. Smith and his Employees Fail to Cooperate with Investigation.....	79
<b>C. DCFS and DCFS Director McEwen Fail to Monitor Dr. Smith Grants.....</b>	<b>80</b>
1. Summary of DCFS Staff Conduct .....	80
a) DCFS Did Not Perform Adequate Investigation of Smith Entities .....	80
b) DCFS Failed to Analyze Budgets.....	80
c) DCFS Failed to Monitor Grants to Smith-Controlled Entities .....	81
d) DCFS Failed to Follow Procedures .....	81
e) DCFS Failed to Perform Excess Revenue Determinations In a Timely Manner .	82
2. DCFS Business Manager Darlene Cannon .....	82
3. DCFS Associate Deputy Director Frances Elbert.....	83
4. DCFS Deputy Director Daniel Fitzgerald.....	83
5. Failure of DCFS to Re-Evaluate YSN/CAYIT Grant Awards .....	84
6. Failure of DCFS to Properly Audit Dr. Smith's Multiple Grants.....	85
7. DCFS Director Erwin McEwen.....	85
a) McEwen Failed to Manage Grant Procedures .....	85
b) Several Dr. Smith Contracts Were Questionable.....	85
c) Director McEwen Failed in Prior Monitoring Position .....	86
d) Director McEwen Failed To Act Appropriately .....	87
<b>D. DCFS Director Erwin McEwen Fails to Cooperate.....</b>	<b>88</b>
<b>E. Chicago State University Staff Failed to Monitor the IPCFD Grant.....</b>	<b>89</b>
<b>F. DCEO Grant Awarded to DBCC .....</b>	<b>90</b>
<b>G. Illinois State Board of Education Grant .....</b>	<b>90</b>
<b>H. Non-reviewed State Agency Contracts and Dr. Smith's Failure to Cooperate.....</b>	<b>91</b>
<b>I. OIG-DCFS AND OEIG JOINT INVESTIGATIVE EFFORTS.....</b>	<b>91</b>
<b>XVII. OIG-DCFS AND OEIG FINDINGS AND RECOMMENDATIONS .....</b>	<b>92</b>
Civil Recovery and Criminal Prosecution.....	94
Refund of Awarded Grant or Contract Funds.....	94
Ensure Compliance with State Law By DCFS.....	94
Disciplinary Action Related to DCFS Deputy Director Daniel Fitzgerald.....	94
Disciplinary Action Related to DCFS Deputy Director Frances Elbert .....	94
Disciplinary Action Related to DCFS Business Manager Darlene Cannon .....	94
Disciplinary Action Related to Dean Dr. Yvonne Harris.....	95
Implementation of DCFS Procedure.....	95

## **Index of Acronyms**

<b>AG</b>	Illinois Attorney General
<b>Am. Ex.</b>	American Express
<b>CAYIT</b>	Child and Youth Investment Team
<b>CBOE</b>	City of Chicago and Chicago Board of Education
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CFR</b>	Consolidated Financial Report
<b>CPS</b>	Chicago Public Schools
<b>CSU</b>	Chicago State University
<b>DASA</b>	Division of Alcoholism and Substance Abuse
<b>DBCC</b>	DBCC Organization
<b>DCEO</b>	Illinois Department of Commerce and Economic Opportunity
<b>DCFS</b>	Illinois Department of Children and Family Services
<b>DHS</b>	Illinois Department of Human Services
<b>DPH</b>	Illinois Department of Public Health
<b>FACC</b>	Family Advocacy in Champaign County
<b>FCRC</b>	Family and Community Resource Center
<b>FY</b>	Fiscal Year
<b>HHS</b>	United States Department of Health and Human Services
<b>ILCS</b>	Illinois Compiled Statutes
<b>IPCFD</b>	Institute for Positive Child and Family Development, Inc.
<b>ISBE</b>	Illinois State Board of Education
<b>LRE</b>	Least Restrictive Environment
<b>MPI</b>	Management Planning Institute Inc.
<b>NBA</b>	National Basketball Association
<b>NCLB</b>	No Child Left Behind
<b>OEIG</b>	Office of Executive Inspector General for the Agencies of the Illinois Governor
<b>OETS</b>	Office of Education and Transition Services
<b>OIG</b>	Office of Inspector General
<b>PACT</b>	Psychiatry for Adolescents and Children in Transition
<b>PFL</b>	Primed For Life
<b>PIC</b>	Paternal Involvement Centers
<b>[...]</b>	[redacted]
<b>SAR</b>	Students at Risk
<b>YSN</b>	Youth Stabilization Network

## **I. BACKGROUND**

### **A. Initiation of Investigation**

The Office of Inspector General (OIG) for the Illinois Department of Children and Family Services (DCFS) conducts investigations involving, among other things, allegations relating to vendors awarded DCFS grants-in-aid.<sup>1</sup> In early 2010, while conducting an investigation relating to a vendor awarded a DCFS grant, OIG-DCFS investigators obtained a copy of a grant DCFS had awarded a vendor named DBCC Organization (DBCC).<sup>2</sup> The DBCC grant contained contractual terms that were vague and did not appear to provide services to DCFS clients. Investigators initiated an investigation relating to grants DCFS had awarded to DBCC.

During the course of the DBCC investigation, OIG-DCFS investigators obtained copies of grants other State agencies had awarded DBCC. In light of the fact that the other State agency grants awarded to DBCC involved agencies under the jurisdiction of the Illinois Governor, the OIG-DCFS contacted the Office of Executive Inspector General for the Agencies of the Illinois Governor (OEIG). The OIG-DCFS and the OEIG subsequently conducted a joint investigation relating to DBCC.

### **B. DBCC and Other Dr. Smith Business Entities**

This investigation relates to grants awarded to several businesses owned or controlled by Dr. George E. Smith. Dr. Smith received a Doctor of Education degree from Indiana University. He is not a medical doctor, psychiatrist, or psychologist.

During the course of this investigation, OIG-DCFS and OEIG investigators discovered that Dr. Smith was the Chief Executive Officer (CEO) of at least five business entities. Information about these businesses is summarized below.

#### ***1. DBCC Organization***

According to Secretary of State Records, DBCC is a registered Illinois not-for-profit organization and Dr. Smith is its CEO. DBCC is also a licensed DCFS child welfare agency. DBCC's website advertises its services, which includes acting as a "fiscal agent." DBCC's Executive Director is Pleshette Hamb. DBCC is located at 1140 E. 87th Street, Chicago, IL.

#### ***2. Diversified Behavioral Services, Inc.***

According to Secretary of State Records, Diversified Behavioral Services, Inc. (Diversified Inc.) is a for-profit corporation and Dr. Smith is its CEO. Diversified Inc. is located at 11070 S. Western Avenue, Chicago, IL.

---

<sup>1</sup> DCFS awards grants-in-aid to organizations for various purposes. The grants-in-aid are generally referred to as "grants" and are actually contracts executed by the head of the State agency and the organization receiving grant funds. Organizations receiving grant funds are referred to as "vendors" or "providers." For purposes of this report, the following terms may be used interchangeably: 1) "contract(s)" and "grant(s)" and 2) "vendor(s)," "grantee(s)."

<sup>2</sup> DBCC is also known and referred to as Diversified Behavioral Comprehensive Care, Inc.

### ***3. Management Planning Institute, Inc.***

According to Secretary of State Records, Management Planning Institute Inc. (Management Planning or MPI) is a for-profit corporation and Dr. Smith is its CEO. MPI is located at 11070 S. Western Avenue, Chicago, IL.

According to its website, MPI is a Chicago-based corporation providing comprehensive mental health services to youth, adults, and families. MPI's website states that it "offer[s] a variety of interdisciplinary services to public and non-profit institutions on a nationwide basis."

### ***4. The Institute for Positive Child and Family Development, Inc.***

According to Secretary of State Records, the Institute for Positive Child and Family Development, Inc. (IPCFD) is a for-profit corporation and Dr. Smith is its CEO. The IPCFD is located at 11070 S. Western Avenue, Chicago, IL.

### ***5. Ed's Investments, Inc.***

According to Secretary of State Records, Ed's Investments is a real estate investment corporation and Dr. Smith is its CEO. Ed's Investments is located at 11070 S. Western Avenue, Chicago, IL.

## **C. State and City Agencies that Awarded Grants to Dr. Smith**

During the course of this investigation, OIG-DCFS and OEIG investigators discovered Dr. Smith's businesses had been awarded one or more grants from numerous State agencies. Dr. Smith was awarded grants from the following State agencies:

- Illinois Department of Children and Family Services
- Illinois Department of Human Services—Division of Alcoholism and Substance Abuse
- Illinois Department of Human Services—Division of Mental Health
- Illinois Department of Public Health
- Illinois Department of Commerce and Economic Opportunity
- Illinois State Board of Education
- Chicago State University

In addition, the City of Chicago and the Chicago Board of Education (CBOE) also awarded Dr. Smith grants for various purposes.

From 2008 through 2011, Dr. Smith and business entities owned or controlled by him were awarded in excess of \$18 million from the State of Illinois, the City of Chicago and others.

### ***1. DCFS Grants Awarded to Dr. Smith's DBCC***

DCFS is a State agency whose mission is to, among other things, "protect children who are reported to be abused or neglected and to increase their families' capacity to safely care for

them.” In furtherance of its mission, DCFS awards hundreds of contracts and grants to organizations.

From Fiscal Year (FY) 2005 through 2011, DCFS awarded DBCC multiple grants. The grants awarded to Dr. Smith and DBCC were as follows:

- Students at Risk Grant;
- Youth Stabilization Network/Child and Youth Investment Team Grant;
- Psychiatry for Adolescents and Children in Transition Grant; and,
- Paternal Involvement Center Grant.

In addition, DCFS also awarded Dr. Smith grants so that he, via DBCC, would act as a “fiscal agent” for several family advocacy centers located in central Illinois. These grants did not require DBCC to provide child welfare services; rather, they required DBCC to manage the fiscal affairs of other organizations for a “fee.”

In total, DCFS awarded Dr. Smith grants in excess of \$2 million per year from FY 2008 through 2011.

a) Students at Risk Grant

In 2007, DCFS awarded DBCC an annual Students at Risk grant for \$450,000 to provide in-school services to at-risk youth attending Chicago schools.

The FY 2007 through FY 2010 DBCC Students at Risk grant did not require DBCC to serve or target certain youth or wards within DCFS’s jurisdiction. The Students at Risk grants were funded in part by a federal program, upon the condition that funds be used to serve children in foster care.

b) Youth Stabilization Network/Child and Youth Investment Team Grant

Each year from FY 2008 through 2011, DCFS awarded DBCC annual grants of nearly \$1 million to fund two programs: the Youth Stabilization Network (Youth Stabilization or YSN) grant and the Child and Youth Investment Team (CAYIT) grant. The Youth Stabilization portion of each annual DBCC grant was \$500,000. Under YSN, DBCC was required to provide counseling and therapeutic services to high-risk and frequent runaway adolescent wards. The CAYIT portion of the DCFS grant was for \$411,000. Under CAYIT, DBCC was required to provide social workers for staffing and screening of high-risk DCFS wards.

c) Psychiatry for Adolescents and Children in Transition Grant

Each year from FY 2009 through 2011, DBCC received between \$100,000 and \$217,000 in DCFS grants to provide psychiatric services to youth transitioning from institutional placements to the community. DCFS referred to the program as the Psychiatry for Adolescents and Children in Transition (PACT) grant.

d) Paternal Involvement Center Grant

Each year from FY 2008 through 2011, DBCC was awarded between \$125,000 and \$250,000 in DCFS grants to operate “Paternal Involvement Centers.” These grants were intended to promote paternal involvement in child rearing.

e) Fiscal Agent Grants—Family Advocacy Centers

Each year from FY 2005 through 2011, DCFS awarded DBCC grants to serve as a “fiscal agent” for family advocacy centers. DCFS created the Family Advocacy Center Program to provide counseling and advocacy services to families located in the central Illinois area. The grants did not require that the advocacy centers specifically serve DCFS clients. The family advocacy centers were as follows:

- The Family and Community Resource Center (FCRC), Bloomington (FYs 2005-2011);
- The Family Support and Training Center, Champaign (FY 2008);
- Family Advocacy in Champaign County, Champaign, (FY 2009); and,
- Primed for Life, Springfield (FYs 2008-2011).

The DBCC “fiscal agent” grant agreements awarded to DBCC were between \$83,235 and \$592,230, but did not detail what “fiscal services” DBCC was required to perform. The DBCC grant for the family advocacy centers, however, did include projected budgets allocating DBCC 15% of the total grant amount as payment for serving as “fiscal agent.”

**2. *Illinois Department of Human Services—DASA Grant Awarded to Diversified, Inc.***

The Illinois Department of Human Services (DHS) is a State agency that provides services throughout the State relating to alcohol and drug abuse and dependency, through its Division of Alcoholism and Substance Abuse (DASA).

In FY 2009, DHS—DASA awarded Diversified Inc. a \$200,000 grant. The grant required Diversified Inc. to provide early intervention substance abuse prevention services at various institutions between February and June 2009.

**3. *Illinois Department of Public Health Grant Awarded to DBCC***

The Illinois Department of Public Health (DPH) is a State agency that provides grants to organizations to promote HIV/AIDS awareness. In FY 2008, DPH awarded DBCC a \$125,000 grant to provide HIV/AIDS awareness in Chicago Public Schools.

**4. *Illinois Department of Commerce and Economic Opportunity Grant Awarded to DBCC***

The Illinois Department of Commerce and Economic Opportunity (DCEO) is a State agency that engages in oversight and monitoring of legislative member initiative grants. In FY



2010, DCEO oversaw a \$450,000 legislative member initiative grant awarded to DBCC. The grant required DBCC to provide supportive services to students.

#### ***5. Illinois State Board of Education Grant Awarded to DBCC***

The Illinois State Board of Education (ISBE) is a State agency that engages in oversight and monitoring of legislative member initiative grants. In FY 2009, ISBE oversaw a \$342,000 legislative member initiative grant awarded to DBCC for the Student Support Services Program. The grant required DBCC to provide in-school academic and counseling services to students.

#### ***6. Chicago State University Sub-Grant Contract Awarded to IPCFD***

Chicago State University (CSU) is one of nine Illinois public State universities. CSU receives numerous grant funds from various entities, including the City of Chicago, and sub-grants certain grants to other organizations.

The City of Chicago receives Head Start and Early Head Start grant funds from the United States Department of Health and Human Services (HHS) and Child Care grant funds from the Illinois Department of Human Services (DHS) (hereinafter HHS/DHS Funds). In FY 2009, the City of Chicago awarded CSU a \$1,000,000 grant from HHS/DHS Funds. CSU sub-granted \$950,000 of the \$1,000,000 in HHS/DHS Funds to the IPCFD. The grant and sub-grant funds required CSU, and ultimately the IPCFD, to provide Head Start Support Services.

#### ***7. City of Chicago Grant Awarded to DBCC***

In FY 2009, the City of Chicago awarded DBCC a \$700,000 grant from HHS/DHS Funds. The grant was subsequently increased to \$1,363,583. The grant required DBCC to provide Head Start Support Services.

#### ***8. Chicago Board of Education Grants Awarded to MPI***

The Chicago Board of Education (CBOE) awards grants to organizations to provide educational services, including after-school tutoring services.

In FYs 2008 and 2009, the CBOE awarded MPI grants to provide Title I services to Chicago Public School students and No Child Left Behind (NCLB) tutoring. The grant amounts were \$518,587 and \$772,405, respectively. Title I services are intended to improve the academic performance of economically disadvantaged youth.

#### ***9. Summary of Grants***

The following tables contain summaries of all of the contracts or grants awarded between FYs 2008 to 2011 to Dr. Smith and business entities he owned or controlled.<sup>3</sup>

---

<sup>3</sup> Dr. Smith and his business entities were awarded multiple grants from State agencies, primarily from DCFS, prior to FY 2008. However, in light of the complex nature of this investigation, the discovery of fraudulent documentation, the failure of certain witnesses to cooperate, as well as the desire to issue a timely report,

Fiscal Year 2008			
Awarding Agency	Services/Description	Smith Organization	Contract Amount
DCFS	Youth Stabilization/CAYIT	DBCC	\$911,600
DCFS	Students at Risk	DBCC	\$450,000
DCFS	Paternal Involvement Center	DBCC	\$250,000
DCFS	Primed For Life – Springfield	DBCC	\$335,327
DCFS	Family and Community Resource Center – Bloomington	DBCC	\$592,230
DCFS	Family Support and Training Center – Champaign	DBCC	\$83,235
DHS – Division of Mental Health	Disability and Behavioral Health Services	DBCC	\$500,000
DPH	HIV/AIDS Outreach and Prevention	DBCC	\$125,000
CBOE	Title I services – NCLB Tutoring	MPI	\$518,587
FY 2008 Total:			\$3,765,979

Fiscal Year 2009			
Awarding Agency	Services/Description	Smith Organization	Amount
DCFS	Youth Stabilization/CAYIT	DBCC	\$911,000
DCFS	Students at Risk	DBCC	\$450,000
DCFS	Psychiatry for Adolescents and Children in Transition	DBCC	\$199,206
DCFS	Paternal Involvement Center	DBCC	\$125,000
DCFS	Primed For Life – Springfield	DBCC	\$335,327
DCFS	Family and Community Resource Center – Bloomington	DBCC	\$592,230
DCFS	Family Advocacy in Champaign County	DBCC	\$317,216
DHS—DASA	Substance Treatment and Intervention	Diversified Inc.	\$200,000
ISBE	Mentoring, After School and Student Support Program	DBCC	\$342,000
City of Chicago	Head Start & Early Head Start Programs/Child Care Collaboration Program	DBCC	\$700,000 + \$663,583 = \$1,363,583
City of Chicago	Head Start & Early Head Start Programs/Child Care Collaboration Program	CSU <i>sub-grants</i> to the IPCFD	\$950,000
CBOE	Title I services - NCLB Tutoring	MPI	\$772,405
FY 2009 Total:			\$6,557,967

Fiscal Year 2010			
Awarding Agency	Services/Description	Smith Organization	Amount
DCFS	Youth Stabilization/CAYIT	DBCC	\$911,600
DCFS	Students at Risk	DBCC	\$450,000
DCFS	Psychiatry for Adolescents and Children in Transition	DBCC	\$217,100
DCFS	Paternal Involvement Center	DBCC	\$125,000
DCFS	Primed For Life – Springfield	DBCC	\$325,267
DCFS	Family Advocacy in Champaign County	DBCC	\$359,660
DCFS	Family and Community Resource Center--Bloomington	DBCC	\$592,230
DCFS	Bright Star Family Advocacy Center	DBCC	\$41,667
DCEO	Inner City Students School Violence	DBCC	\$450,000

investigators did not review all of Dr. Smith's contracts. In addition, the above chart represents the amount of grants either Dr. Smith was awarded per the contract or the amount of money agencies obligated to Dr. Smith.

City of Chicago	Head Start & Early Head Start Programs/Child Care Collaboration Program	DBCC	\$1,645,483
		<b>FY 2010 Total:</b>	<b>\$5,118,007</b>

<b>Fiscal Year 2011</b>			
<b>Awarding Agency</b>	<b>Services/Description</b>	<b>Smith Organization</b>	<b>Amount</b>
DCFS	Youth Stabilization/CAYIT	DBCC	\$911,000
DCFS	Students at Risk	DBCC	\$450,000
DCFS	Psychiatry for Adolescents and Children in Transition	DBCC	\$108,550
DCFS	Paternal Involvement Center	DBCC	\$125,000
DCFS	Primed For Life – Springfield	DBCC	\$325,267
DCFS	Family and Community Resource Center - Bloomington	DBCC	\$592,230
DCFS	Family Advocacy in Champaign County	DBCC	\$359,660
DCFS	Bright Star Family Advocacy Center	DBCC	\$250,000
		<b>FY 2011 total:</b>	<b>\$3,121,707</b>

The total amount of grants awarded to Dr. Smith and his business entities in the four fiscal years from 2008 through 2011 is approximately \$18,563,660.

## **II. DOCUMENTS REVIEWED AND INDIVIDUALS INTERVIEWED**

### **A. Scope of the Grants Reviewed**

From FY 2008 to 2011, Dr. Smith was awarded numerous contracts from various State and city agencies. This investigation was limited to the following contracts:

<b><u>Fiscal Year</u></b>	<b><u>State or City Agency</u></b>	<b><u>Contract Amount and Type</u></b>
FY 2008	DCFS	\$911,600—YSN/CAYIT Grant
FY 2008	DCFS	\$450,000—Students at Risk Grant
FY 2008	DCFS	\$592,230—Bloomington FCRC Grant
FY 2008	DPH	\$125,000—HIV/AIDS Grant
FY 2008	CBOE	\$518,587—Title I Grant
FY 2009	DCFS	\$911,000—YSN/CAYIT Grant
FY 2009	DCFS	\$450,000—Students at Risk Grant
FY 2009	DCFS	\$592,230—Bloomington FCRC Grant
FY 2009	DHS—DASA	\$200,000—Substance Prevention Grant
FY 2009	ISBE	\$342,000—Student Services Grant
FY 2009	City of Chicago	\$1,363,583—Head Start Grant
FY 2009	CSU	\$950,000—Head Start Grant
FY 2009	CBOE	\$772,045—Title I Grant
FY 2010	DCFS	\$911,000—YSN/CAYIT Grant
FY 2010	DCFS	\$217,100—PACT Grant
FY 2010	DCEO	\$450,000—Student Services Grant

In addition, investigators reviewed the following “fiscal agent” contracts DCFS awarded to DBCC:

- The Family and Community Resource Center (FCRC), Bloomington (FYs 2005-2011);
- The Family Support and Training Center, Champaign (FY 2008);
- Family Advocacy in Champaign County, Champaign, (FY 2009); and,
- Primed for Life, Springfield (FYs 2008-2011).

## **B. Documents Reviewed**

During the course of this investigation, OIG-DCFS and OEIG investigators sought, received and reviewed documents from various State agencies. The documents requested included copies of documents Dr. Smith submitted to the State agencies to obtain payment during grant periods or in response to document requests.

### ***1. Documents Obtained From State Agencies***

Investigators sought and received documents Dr. Smith submitted or provided to State agencies that purported to support expenditures or bills he submitted.

Investigators reviewed documents Dr. Smith submitted to the Illinois Department of Commerce and Economic Opportunity (DCEO) in support of the \$450,000 FY 2010 contract DBCC was awarded to provide Student Support Services and included the following categories:

#### **a) Receipts Relating to Liquor**

Dr. Smith submitted a December 27, 2009 receipt for TGI Friday’s at 153 East Erie Street, Chicago, IL that included three Ultimate Strawberry Daiquiris, one made with Captain Morgan’s Rum.

#### **b) Receipts Relating to Office Printers**

Dr. Smith submitted a November 2, 2009 receipt from a Staples at 1300 N. Ashland Avenue, Chicago, IL for a SPLS Canon L50 printer for \$156.99 and a December 17, 2009 receipt from the same location for an HP Office Jet 8500 printer.

#### **c) Receipts Relating to Cable Television**

Dr. Smith submitted a December 28, 2009 Comcast Cable Bill for subscriber “Youth Lives Saving” for \$124.00, and a January 27, 2010 bill for the same subscriber.

#### **d) Receipts Relating to a Money Order**

Dr. Smith submitted a December 14, 2009 receipt from a post office at 4222 W. Madison, Chicago, IL.

## ***2. Documents obtained from Dr. Smith***

In addition, investigators subpoenaed records from Dr. Smith and the various business entities he owned to obtain documents supporting pay requests they submitted to DCFS and other agencies. In response, Dr. Smith produced, among other things, the following documents that he claimed supported services for which he was paid. Below is a summary and description of certain documents Dr. Smith produced.

### **a) Expenditure Confirmation Reports**

Dr. Smith produced numerous “Illinois Department of Human Services, Division of Alcoholism and Substance Abuse Expenditure Confirmation Reports.” The DHS—DASA Expenditure Confirmation Reports contain a certification that reads:

I herby [sic] certify that I have attached documentation of pre approval for DBCC Organization in FY 09 award funds to be reconciled as expended as outlined above. Furthermore, I herby [sic] certify that we have expended the amounts identified by line item as listed above. In compliance with DHS audit requirements, these amounts are/will be included with the annual Audit/Cost Report costs as identified and as possible.

Below the certification, Dr. Smith signed and dated the DHS—DASA Expenditure Confirmation Reports and attached documents containing lists that appear to have been created by Dr. Smith.

### **b) Client Verification Sheets**

Dr. Smith also produced numerous Client Verification Sheets in several different formats, including:

- “Diversified Behavioral Comprehensive Care Early Intervention Substance Abuse Services Client Services Verification” sheets signed by consultants and school principals or organization directors. Some sheets bear student signatures; some do not.
- “Diversified Behavioral Comprehensive Care Client Services Sign-In Sheets” with a description of services rendered and student signatures; and
- “DBCC DHS—DASA Funded Project Client Services Verification” sheets with the consultants’ and students’ signatures.

### **c) Invoices**

Dr. Smith produced numerous types of “invoices,” including some that stated:

- “DBCC Organization” in the upper left corner and “Invoice” in the upper right corner and signed by an “independent contractor” at the bottom.

- “Family Support & Training Center of Champaign” and billing “DBCC Organization” for a total of \$5,000, with a notation that simply stated, “Office Supplies and Equipment.”
- “Provider Name: Diversified Behavioral Comprehensive Care” and “Bill To: Department of Children and Family Services” with descriptions such as “Advocay [sic] Outreach 3<sup>rd</sup> Quarter Payment.”

#### d) Payroll Records

Dr. Smith supplied investigators with numerous “ADP Easy Pay” forms titled “Payroll Register” that each indicated the time period covered and the pay date. The Payroll Registers included various columns. The Payroll Registers “employee information” column listed employee names and included Dr. Smith and Pleshette Hamb.

Dr. Smith also submitted a “Master List” payroll record that included further information about employees, including home addresses and bank accounts for those receiving Direct Deposit.

#### e) Client Lists

Dr. Smith also supplied client lists, including some stating:

- “DBCC Client List – Students at Risk,” along with the applicable time period, students names and organization with which the students were affiliated; and
- “Chicago Department of Family and Support Services” with the words “Query Tool Results” above “Alliance for Community Peace” and a list of students’ names and dates of birth.

#### f) Daily Records of Services Provided

Dr. Smith supplied documents purporting to show what services were provided on a daily basis, including some that stated:

- “Tutoring Record of Services and Billing Report” and listing the school served, the dates of service and the tutor providing the services, the services provided and the students served.”
- “Daily Record of Counseling Services Rendered” forms with spaces in which “Service Provider,” the school served, the service dates, and students names were written by hand.

#### g) Other Documentation

Dr. Smith supplied investigators with copies of cancelled checks, subcontracts, receipts and clinical records. Dr. Smith also submitted written responses to inquiries from OIG-DCFS investigators. Finally, investigators also obtained and reviewed numerous bank records relating to accounts owned by one or more of Dr. Smith’s business entities.

### **C. Witnesses Interviewed**

Investigators also interviewed numerous individuals involved with grants, including:<sup>4</sup>

**Erwin McEwen:** Director  
Illinois Department of Children and Family Services

**Dr. George E. Smith:** CEO of DBCC Organization  
CEO of Diversified, Inc.  
CEO of Management Planning Institute, Inc.  
CEO of Institute for Positive Child and Family Development, Inc.  
CEO of Ed's Investments, Inc.

**Robert Stanek:** Chief Financial Officer  
Illinois Department of Children and Family Services

**Janet McKeown:** Reimbursement Specialist  
Office of Budget and Finance  
Illinois Department of Children and Family Services

**Daniel Fitzgerald:** Deputy Director  
Division of Service Intervention  
Illinois Department of Children and Family Services

**Cynthia Moreno:** (Former) Deputy Director  
Division of Service Intervention  
Illinois Department of Children and Family Services

**Frances Elbert:** Associate Deputy  
Office of Education & Transition Services  
Illinois Department of Children and Family Services

**Darlene Cannon:** Business Manager, Division of Service Intervention  
Illinois Department of Children and Family Services

**Dr. Cynthia Tate:** Deputy Director  
Division of Clinical Services  
Illinois Department of Children and Family Services

**Kevin Walsh:** Cook County Education and Transition Services Coordinator  
Division of Service Intervention  
Illinois Department of Children and Family Services

**Kenneth Broady:** Cook County Life Skills Coordinator  
Division of Service Intervention  
Illinois Department of Children and Family Services

**Donna Kazragis:** Cook County Shelter Coordinator  
Division of Child Protection  
Illinois Department of Children and Family Services

**Lee Annes** Statewide CAYIT Coordinator  
Division of Clinical Services  
Illinois Department of Children and Family Services

---

<sup>4</sup> Individuals whom investigators interviewed, but are not referenced in this report have not been identified.

**Janice Thornhill:** Consultant  
Illinois State Board of Education

**[Redacted]:** [Redacted]

**[Redacted]:** [Redacted]

**[Redacted]:** [Redacted]

**Eugene Wolf:** Executive Director  
Better Life for Youth

**[Redacted]:** [Redacted]

**Pleshette Hamb:** Executive Director  
Diversified Behavioral Comprehensive Care, Inc.

**Carolyn Sain:** Head Start Fiscal Specialist  
Diversified Behavioral Comprehensive Care, Inc.

**Ken Koroma:** (Former) Associate Vice President, Sponsored Programs  
Chicago State University

**Sharon Brown-Haynes:** Principal  
Lewis School, Chicago Public Schools

**Arthur Reliford:** Principal  
Hales Franciscan High School

**Angela Hopgood-Miller:** Grant and Contract Coordinator  
Chicago State University

**[Redacted]:** [Redacted]

**Maybeth White:** Contracts Manager  
Division of Alcoholism and Substance Abuse  
Illinois Department Human Services

**[Redacted]:** [Redacted]

**[Redacted]:** [Redacted]

**[Redacted]:** [Redacted]

**Shelly Banks:** Manager of Accountability Program  
Illinois Department of Commerce and Economic Opportunity

**[Redacted]:** [Redacted]

### III. DCFS GRANT PROCESS AND GRANTS AWARDED TO DBCC

DCFS awarded the majority of the grants at issue in this investigation. Under its grant process, DCFS contractually requires vendors, such as DBCC, to maintain records verifying services. Vendors are also required to cooperate with the Office of Inspector General and required to “allow and encourage employees to speak to the OIG regarding pending investigations.”



DCFS contract agreements include program plans and budgets. A Program Plan sets forth the services a particular vendor agrees to provide under the grant contract. The budget sets forth the expenses approved or allowed under a grant contract.

### **A. DCFS Contracts**

DCFS typically enters into one of two types of agreements with vendors. The first type is a “fee-for-service” contract. In “fee-for-service” contracts, vendors provide services to DCFS clients and then submit a monthly bill for their fee. For example, if a vendor counseled 10 students for one hour at a rate of \$10 per hour in a month, it would submit an invoice to DCFS for \$100, including the name of each student and his or her DCFS identification number. Approximately 85% of DCFS contracts for services are “fee-for-service” contracts.

The second type of agreement is a grant contract. In that situation, the grant vendor and DCFS agree on projected expenses and DCFS agrees to pay the vendor a set amount based on the projected expenses. Under DCFS Rule, vendors may not expense more than 20% of the cost of direct services provided. Pursuant to 89 Illinois Administrative Code tit. 89 § 360.3, *et seq.*, DCFS may award a grant for:

- (1) start-up funding for programs in their developmental stages;
- (2) demonstration or pilot projects;
- (3) research or other non-service projects;
- (4) the promotion of local-community based programs; and,
- (5) the promotion of programs of value to child welfare and youth service in general.

To continue grant funding, DCFS rules require that the project goals and objectives are being met, there is a continuing need for the project, and no other funding sources are available.<sup>5</sup>

#### ***1. DCFS Contract (Grant) Monitors***

To ensure vendors provide the services they agreed to provide under a grant, DCFS typically assigns contract monitors to each grant. A contract monitor is responsible for, among other things, reviewing budgets and quarterly cost reports to be certain vendors deliver program services.

#### ***2. Quarterly Cost Reports***

As a precondition for payment, grantees are required to submit a quarterly cost report identifying the funds generally during the prior quarter.<sup>6</sup> A DCFS contract monitor is required to review and compare the vendor’s quarterly cost report against the approved budget to ensure the cost and expenses are within the approved budget. DCFS employees are then required to prepare

<sup>5</sup> Ill. Admin. Code tit. 89 § 360.3(d).

<sup>6</sup> Ill. Admin. Code tit. 89 § 360.3 (c,e) (referencing procedures in Ill. Admin. Code tit. 89 § 357.120 and § 357.130). Ill. Admin. Code tit. 89 § 357.120 governs cost reports and refers to Ill. Admin. Code tit. 89 § 356.40, which governs the schedule of submission of cost reports. Ill. Admin. Code tit. 89 § 357.130 governs the type of documentation contractors are to collect and retain.

a certified request for payment, commonly referred to as a “buckslip,” for submission to the State Comptroller for payment. A “buckslip” contains two signature lines, one of which is for the DCFS employee who certifies that “the goods or services” have been received from the vendor. The other signature line is for the DCFS Deputy Director responsible for overseeing the grant.

At the close of each fiscal year, each vendor awarded more than \$150,000 from DCFS is required to submit an independent audit certifying expenses it incurred for all DCFS grants it received.

#### **IV. DR. SMITH’S FRAUDULENT ACTIVITIES RE: DHS—DASA GRANT**

##### **A. Background, Interview of DHS—DASA Contract Manager Maybeth White**

On February 18, 2011, investigators interviewed Illinois Department of Human Services Division of Alcoholism and Substance Abuse Contract Manager Maybeth White. Ms. White stated that in 2006 she became a Contract Manager for the Division of Alcoholism and Substance Abuse (DASA). Her duties and responsibilities required her to ensure that all fiscal representations submitted by grantees match the grant’s program plan. Ms. White stated that during 2009 she simultaneously monitored approximately 47 grants, including one awarded to Diversified Inc. Ms. White stated that each grantee prepares/consents to a Community Service Agreement which details the program goals and the allotted funding. In addition, the program plan and contractual exhibits describe the type of services the vendor will provide under a particular grant.

Ms. White was shown a document titled “State of Illinois DHS Community Services Agreement FY 2009,” which was the agreement between DASA and Diversified Inc. for FY 2009. Ms. White stated that the grant period for the DASA and Diversified Inc. contract was February 18, 2009 through June 30, 2009. The amount of the grant was \$200,000. Ms. White was aware that Dr. Smith was CEO of Diversified Inc., and said she met him on at least two occasions. Ms. White said she was unimpressed by Dr. Smith.

Pursuant to the DASA and Diversified Inc. grant agreement section titled, “Special Provisions for Funding of Substance Treatment, Intervention, and Related Services,” Diversified Inc. agreed to provide outreach in local schools and agreed to hire consultants to perform DASA required services. Ms. White stated that during the grant period, Diversified Inc. submitted monthly summary reports and supporting documentation in a DHS—DASA document titled Expenditure Confirmation Report.

According to Ms. White, Diversified Inc. apparently had a “hard time counting,” because Diversified Inc. often submitted Expenditure Confirmation Reports containing miscalculated amounts. Ms. White indicated that when a grantee does not properly complete forms or if numbers are unsubstantiated, she does not pay the grantee until the issue is resolved. Ms. White stated that Diversified Inc. often turned in late monthly reports that included miscalculations. Ms. White said that she compared Client Services Verification forms Diversified Inc. submitted to her with Summary of Services forms Diversified Inc. submitted for the same time periods. Ms. White’s review revealed that the number of hours Diversified Inc. represented to have provided was often different (and overstated). Thus, she did not pay them. Ms. White said she did not

check to determine if services were actually provided, because that was not part of her responsibility. Ms. White identified Diane Grant<sup>7</sup> of Diversified Inc. as a person who signed the forms.

Ms. White said that DHS—DASA only approved and paid Diversified Inc. a total of \$138,901 of the \$200,000 FY 2009 grant amount, because that was all the supporting documentation that Dr. Smith was able to produce.

## **B. FY 2009 DHS—DASA Grant and Related False or Fraudulent Documents**

Dr. Smith provided investigators with documents that he claimed supported the services provided under the FY 2009 DHS—DASA grant awarded to Diversified Inc. A review of these documents, as well as related interviews, reveals that many of the documents were fraudulent or contained forged signatures. Investigators identified fraudulent or forged documents relating to the agencies listed below:

- Alliance for Community Peace;
- The Dreamcatcher Foundation;
- 100 Black Men of Chicago, Inc.;
- Langston Hughes Elementary School; and,
- [Support Services Agency].

### ***1. Alliance for Community Peace—DASA Services***

According to its website, Alliance for Community Peace is a community organization offering student support services such as tutoring, mentoring, recreational activities and literacy programs for children aged 5-18 years old.

#### **a) Documents Reviewed—Alliance for Community Peace**

The FY 2009 \$200,000 grant DHS—DASA awarded to Diversified Inc. required Diversified Inc. to provide early intervention substance abuse prevention services at various institutions between February and June 2009. Investigators subpoenaed Dr. Smith for documents supporting the services for which he billed to DHS—DASA. In response, he provided OIG-DCFS investigators numerous Expenditure Confirmation Reports.

Investigators learned that, during the FY 2009 DASA grant period, Dr. Smith submitted bills for \$22,348 of services that he claimed Diversified Inc. provided to children at Alliance for Community Peace. The underlying documents that supported the \$22,348 in Expenditure Confirmation Report billings consisted of 82 Client Verification Sheets. The Client Verification Sheets identified Alliance for Community Peace as an organization at which DBCC Head Start

---

<sup>7</sup> Investigators were unable to determine Ms. Diane Grant's actual employment status or position with DBCC. In documents investigators reviewed, Ms. Grant was identified as: 1) a DBCC Director; 2) a DBCC Secretary/Treasurer in a 2007 Form AG990-IL; 3) an MPI Clinical Consultant on MPI's website; 4) an MPI Project Coordinator in an e-mail dated February 8, 2007; 5) an MPI HR Director in the attestation of the MPI—Chicago Board of Education contract; and, 6) as a DBCC Grant Administrator in the 2009, Audit Exit Conference.

Fiscal Specialist Carolyn Sain provided substance abuse services between the hours of 9:00 a.m. and 3:00 p.m. from February 18 to June 30, 2009. The Client Verification Sheets contained signatures of “Carolyn Sain,” as the provider of services, and “[Alliance Official #1],” as the representative of Alliance for Community Peace. According to the Client Verification Sheets, Ms. Sain provided 492 hours of service (6 hours on 83 days) at a service rate of \$46.56 per hour.

b) Interviews—Alliance for Community Peace

On December 22, 2010, investigators interviewed [Alliance Official #1] and [Alliance Official #2]. [Alliance Official #1] and [Alliance Official #2] reviewed the 82 Client Verification Sheets Dr. Smith had given to investigators. After the two examined the Client Verification Sheets:

- [Alliance Official #1] stated that the “[Alliance Official #1]” signatures on the Client Verification Sheets were not his signature;
- [Alliance Official #1] stated that he never authorized anyone to sign on his behalf;
- [Alliance Official #2] stated that the teachers identified on the sheets were not Alliance for Community Peace teachers; and
- [Alliance Official #2] stated that the hours of service reported (9:00 a.m. – 3:00 p.m.) on the Client Verification Sheets were incorrect.

According to [Alliance Official #1], Alliance for Community Peace does not provide any program services between 9:00 a.m. and 2:00 p.m., as they are only open from 2:00 p.m. to 6:00 p.m., Monday through Thursday.<sup>8</sup>

On March 24, 2011, investigators interviewed Carolyn Sain. Ms. Sain stated that she is a DBCC Fiscal Specialist and is not employed by Diversified Inc. She said she works at DBCC’s office located at 11070 S. Western Avenue, Chicago, IL and works exclusively for DBCC’s Head Start program. She did not recognize the name [Alliance Official #1]. Ms. Sain said that she only heard of Alliance for Community Peace through conversation in the DBCC office. Ms. Sain also stated that she has never done any consulting work for DASA or Alliance for Community Peace.

Ms. Sain was shown “Diversified Behavioral Comprehensive Care, Early Intervention Substance Abuse Services and Client Services Verification” documents, the same ones shown to [Alliance Official #1]. Ms. Sain reviewed the documents and initially stated, “I have seen these documents” and “I might have done some stuff there,” but then stated that although her signature was on each document, she did not remember the documents. Ms. Sain confirmed that she did not perform any of the consulting services reflected in the documents. Finally, Ms. Sain stated that even though her signature does appear on every document, someone else filled them out.

---

<sup>8</sup> Of the \$22,348 in billing that Diversified Inc. submitted to DASA, approximately \$20,253 was for services that occurred prior to 2:00 p.m. when Alliance for Community Peace was not open for business.

## ***2. Dreamcatcher Foundation—DASA Services***

According to its website, the Dreamcatcher Foundation is an organization that provides support services to women either in the sex-trade industry or at-risk of joining.

### ***a) Documents Reviewed – Dreamcatcher Foundation***

Dr. Smith also gave investigators Expenditure Confirmation Reports which he had signed that contained expenditures totaling \$6,984. The documents purported to support services Diversified Inc. performed at the Dreamcatcher Foundation under the FY 2009 DASA grant. Dr. Smith also provided investigators with 21 Client Verification Sheets, which he represented supported Diversified Inc.'s Expenditure Confirmation Reports. The documents contain his signature. The 21 Client Verification Sheets identified the number of attendees per session and 20 of the sheets contained the signature of "[Dreamcatcher Official]," identifying her as the person providing the services. The sheets also contained the signature of "Roberta A. Jones," who was identified as the Director/Principal of Dreamcatcher Foundation.

Investigators subsequently determined that "[Dreamcatcher Official]" was the [title redacted] of the Dreamcatcher Foundation during the time at which the services were allegedly performed. However, according to DBCC payroll records, Roberta A. Jones is a full-time employee of DBCC, not the Dreamcatcher Foundation. The 21 Client Verification Sheets represent that Diversified Inc. provided 126 hours of DASA-funded drug intervention services to 1,636 students, parents and teachers over 22 days at Dreamcatcher Foundation.

### ***b) Interviews—Dreamcatcher Foundation***

On December 9 and 17, 2010, investigators interviewed [Dreamcatcher Official]. [Dreamcatcher Official] said that in 2008 DCFS Director Erwin McEwen introduced her to Dr. Smith. The purpose of the meeting was to develop a grant under which one of Dr. Smith's entities would serve as a "fiscal agent" for the Dreamcatcher Foundation; however, no grant was ever developed.

Rather, sometime in 2009, Dr. Smith approached [Dreamcatcher Official] and he eventually hired her as a consultant to Diversified Inc. Dr. Smith and Diversified Inc. engaged [Dreamcatcher Official] to provide drug education services at Dreamcatcher Foundation and paid her \$1,000 for drug education sessions. [Dreamcatcher Official] stated she provided drug education services to 10 to 25 students per session (approximately once per week) during the agency's evening operating hours, beginning either at 4:30 or 6:30 p.m.

Investigators showed [Dreamcatcher Official] the Client Verification Sheets Dr. Smith produced to OIG-DCFS investigators. After examining the Client Verification Sheets, [Dreamcatcher Official] stated that:

- the signature "[Dreamcatcher Official]" was not her signature;
- she had never seen the documents before;
- she had never authorized anyone to sign her name on the documents;
- she did not know any of the individuals identified as teachers on the documents; and,

- the reported hours of services were incorrect.

According to [Dreamcatcher Official], she could not have provided any services at the Dreamcatcher Foundation between 9:00 a.m. and 3:00 p.m. as reflected on the documents, because the Dreamcatcher Foundation was not open during those hours. Moreover, [Dreamcatcher Official] said her practice was to have her students sign-in at the beginning of the sessions and sign-out at the end of the sessions, and she gave the original sign-in sheets to Dr. Smith.<sup>9</sup>

### ***3. 100 Black Men of Chicago, Inc.—DASA Services***

The organization 100 Black Men of Chicago, Inc. (100 Black Men) is a volunteer-based local chapter of a national organization that seeks to provide educational and mentoring opportunities to young men. Dr. Smith is a board member of 100 Black Men.

#### **a) Documents Reviewed – 100 Black Men of Chicago**

Dr. Smith gave OIG-DCFS investigators Expenditure Confirmation Reports he signed representing \$4,469 of DASA community intervention services that 100 Black Men purportedly provided under Diversified Inc.'s FY 2009 DHS—DASA grant. The documents reflected that the services were provided at DBCC's 87th Street facility. Dr. Smith also provided investigators with seven Client Verification Sheets to support the Expenditure Confirmation Reports. The Client Verification Sheets contained the signature of "[100 Black Men Official]" as a consultant, and contained the signature of Pleshette Hamb, identifying her as "Director/Principal" of 100 Black Men.

Investigators subsequently learned that [100 Black Men Official] is the [title redacted] for 100 Black Men. Investigators had previously identified Pleshette Hamb as the Executive Director of DBCC. She is not an employee of 100 Black Men.

#### **b) Interviews – 100 Black Men of Chicago**

On January 25, 2011, investigators interviewed [100 Black Men Official]. [100 Black Men Official] said that 100 Black Men provides mentoring on Saturdays at DBCC's facilities located at 1140 East 87th Street, Chicago. [100 Black Men Official] said that Dr. Smith donates space to 100 Black Men, but that 100 Black Men does not provide any drug education or substance abuse services. Investigators showed [100 Black Men Official] the seven Client Verification Sheets reflecting his name above the "consultant" line. After examining the seven Client Verification Sheets, [100 Black Men Official] stated that:

- the signatures of "[100 Black Men Official]" on Client Verification Sheets were not his signature;
- he had never seen the documents before;
- he did not authorize anyone to sign on his behalf; and,
- he never provided the services set forth on the documents.

---

<sup>9</sup> Dr. Smith never produced any sign-in sheets.

[100 Black Men Official] said he knew Pleshette Hamb as DBCC Executive Director, not from any association with 100 Black Men. [100 Black Men Official] stated that Dr. Smith made financial donations and donated Chicago Bulls tickets<sup>10</sup> to 100 Black Men.

#### 4. *Langston Hughes Elementary—DASA Services*

Dr. Smith gave OIG-DCFS investigators documents representing that Diversified Inc. performed after-school, early intervention substance abuse training at Langston Hughes Elementary School (a Chicago Public School) during the 2008-2009 school year.

##### a) Documents Reviewed – Langston Hughes Elementary

Dr. Smith gave investigators Expenditure Confirmation Reports he signed representing \$2,700 of purported DASA community intervention services provided to Langston Hughes students. The documents purportedly represent services Diversified Inc. performed for Langston Hughes under the FY 2009 DASA grant. Dr. Smith also gave investigators Client Verification Sheets representing that Diversified Inc. performed after-school, early intervention substance abuse programming for 1st through 8th grade students at Langston Hughes.

The Langston Hughes Client Verification Sheets identify an independent contractor named Faye Rochelle, who allegedly provided early intervention substance abuse services from April through May 2009 to Langston Hughes students of all grades between 2:30 to 4:30 p.m. Investigators determined, however, that no after-school substance abuse services were provided at Langston Hughes during the 2008-2009 school year.

Investigators also discovered that DBCC's FY 2009 \$450,000 DCFS Students at Risk contract reflected that DBCC Independent Consultant Faye Rochelle had provided individual and group counseling services until 2:30 or 3:00 p.m. on 35 days. However, as noted below, all Langston Hughes students were dismissed daily at 1:45 p.m.

<sup>10</sup> Dr. Smith's financial records revealed two checking accounts, three American Express and two Discover credit cards. One American Express card was in the name of "George E. Smith" (Am. Ex. #A), another in the name of "Dr. George E. Smith" (Am. Ex. #B) and the third in the name of "Dr. George E. Smith, DBCC Organization" (Am. Ex. #C). Below is a summary of sporting event tickets Dr. Smith purchased between January 2008 through March 2011:

	Am.Ex Acct. #A	Am.Ex Acct. #B	Am.Ex Acct. #C	Discover Cards	Smith Checking Accounts	Total
United Center (Execut) Chicago & (Execut Chicago Ticket Agency)	\$678.76	\$1,496.41	\$122.92	\$378.37	\$13,878.00	\$16,554.46
United Center Box (Commercial Sports)		\$4,230.00	\$1,425.00			\$5,655.00
Chicago Cubs	\$2,436.00	\$5,220				\$7,656.00
Chicago White Sox	\$13,051.00	\$8,572.80		\$3,500.00	\$7,125.00	\$32,248.80
Chicago Bulls & Bulls United Center	\$3,600.00	\$1,080.00		\$3,600.00	\$21,240.00	\$29,520.00
Ticketmaster - NBA Allstar Game	\$2,466.60	\$1,746.16				\$4,212.76
<b>Grand Total</b>						<b>\$95,847.02</b>

#### b) Interviews—Langston Hughes School Staff

Investigators interviewed various Langston Hughes staff members. According to staff, because of construction during the 2008-2009 school year, Langston Hughes operated at two different locations, approximately 3.5 miles apart. Specifically, during the 2008-2009 school year:

- 1st through 4th grade students were educated at 10540 S. Morgan Street, and,
- 5th through 8th grade students were educated at 10211 S. Crandon Street.

Investigators also interviewed several Langston Hughes school teachers whose signatures appeared on Client Services Verification Sheets produced by Dr. Smith. The teachers indicated they signed the sheets, but that the sheets did not have the time and subject fields filled out when they signed them. The teachers also confirmed that during the 2008-2009 school year, Langston Hughes conducted daily classroom education from 8:00 a.m. to 1:45 p.m., at both locations. In addition, except for students participating in the Japanese Club, there was no after-school programming or after-school care during the 2008-2009 school year. At 1:45 p.m., the end of the school day, students boarded waiting buses and were transported to designated drop-off locations closer to their residences. The school year ended June 12, 2009.

The teachers also stated that they knew of no substance abuse counseling or awareness programs offered at Langston Hughes. Finally, teachers stated that they knew Faye Rochelle because she was a consultant who worked with at-risk students outside the classroom during regular school hours.

On November 8, 2010, investigators interviewed Faye Rochelle. During the interview, Ms. Rochelle indicated that she did not know why she had listed the hours of service on 19 Client Services Verification Sheets as occurring between 2:30 and 4:30 p.m. Ms. Rochelle stated that she provided both DASA and Students at Risk grant services during the school day.

#### **5. *[Support Services Agency]—DASA and Students at Risk Grant Services***

Documents purporting to support services Diversified Inc. provided under the FY 2009 DASA grant revealed that [Support Services Agency] employee [Support Services Agency employee] was also providing consultant services for Diversified Inc.'s DASA grant.

Investigators determined that [Support Services Agency owner] owns [Support Services Agency] (a/k/a [agency]). [Support Services Agency] was formerly located at 8055-8057 S. Stony Island Avenue, Chicago, IL. According to the Students at Risk documents that Dr. Smith produced to investigators, [Support Services Agency owner] was a DBCC consultant providing in-school services. A review of records maintained by the DCFS Licensing Division reveal that in 2008 and 2009, [Support Services Agency employee], was an employee of the Sullivan House Independent Living Program in Calumet City, IL. [Support Services Agency employee's] 2008 and 2009 assigned working hours at Sullivan House were Monday through Friday, from 5:00 p.m. to 1:00 a.m.



a) Documents Reviewed—[Support Services Agency]

Dr. Smith produced 60 Client Services Verification Sheets representing that [Support Services Agency] had provided services under Diversified Inc.'s FY 2009 DASA grant funds. Of the 60 Client Verification sheets that Dr. Smith produced, 53 of them contain the signature of [Support Services Agency employee] as both the consultant and as the [title redacted] of [Support Services Agency]. The Client Verification sheets identified [Support Services Agency employee] as having provided 141 hours of DASA funded substance abuse services to groups of 10 – 36 students per day, three to five times per week, for a total value of \$6,564.96. The documents also reflected that [Support Services Agency employee] provided services from February 18 through June 30, 2009, mostly between the hours of 2:00 and 5:00 p.m. On the remaining seven Client Services Verification Sheets, [Support Services Agency employee's] signature appears on the [title redacted] line, but the documents represent that an individual named [a second employee] provided DASA services, for a total value of \$651.84. A review of DBCC's bank records did not reveal payments from Diversified Inc. to anyone named [a second employee]. [Support Services Agency employee] provided investigators with sign-in sheets listing the names of youth who came to the [agency acronym] from February 2, 2009 to June 30, 2009.

b) Interviews—[Support Services Agency]

On January 28, 2011, investigators interviewed [Support Services Agency employee]. [Support Services Agency employee] informed investigators that he was unfamiliar with either Diversified Behavioral Comprehensive Care or Diversified Behavioral Services, Inc. [Support Services Agency] did indicate that he knew Dr. Smith, and said his wife had worked for MPI,<sup>11</sup> a company Dr. Smith owned. [Support Services Agency employee] told investigators that he never provided any services on behalf of any of the companies about which investigators had asked him. [Support Services Agency employee] also stated that neither he nor his wife provided services for Dr. Smith under any DHS—DASA grant. [Support Services Agency employee] informed investigators that during FY 2009 he was a full-time employee at Sullivan House in Calumet City and his workday there began at 4:00 p.m. rather than 5:00 p.m., as previously thought by investigators.

Investigators showed [Support Services Agency employee] the 60 Client Services Verification sheets that Dr. Smith produced to investigators reflecting the signature of "[Support Services Agency employee]." [Support Services Agency employee] reviewed the documents and said that 32 of the 60 "[Support Services Agency employee]" signatures were not his signature. [Support Services Agency employee] informed investigators that he had not given anyone authority to sign his name on the documents.

[Support Services Agency employee] described the services he provided to the youth that came to [agency acronym] as homework tutoring, life skills and some education about the dangers of drugs and alcohol. [Support Services Agency employee] provided OIG-DCFS investigators sign-in sheets identifying the youth who came to his facility (including arrival and departure time) between February 2 and June 30, 2009.

---

<sup>11</sup> Management Planning Institute.

Although the Client Services Verification sheets identified that up to 36 students per day were receiving the DASA services at [agency acronym] Learning Center, the daily sign-in sheets [Support Services Agency] produced revealed that the average number of students who came to [agency acronym] on any one date was eight.

## **V. DR. SMITH'S PRODUCTION OF SAME DOCUMENTS**

Investigators reviewed and compared documents Dr. Smith produced to them relating to the FY 2009 DCFS \$450,000 Students at Risk grant with the FY 2009 ISBE \$342,000 Student Services grant. Investigators also compared these documents with documents Dr. Smith produced relating to the FY 2008 Department of Public Health (DPH) \$125,000 HIV/AIDS awareness grant. The review revealed that Dr. Smith produced to investigators the same document(s) to support services one or more of his business entities purportedly provided to one or more agencies during the same and subsequent fiscal years.

### **A. Dr. Smith's Production of Same Documents**

#### ***1. Same Documents Relating to: DCFS and DPH***

During FYs 2008 and 2009, DCFS awarded DBCC two \$450,000 Students at Risk grants that required DBCC to provide mentoring and counseling for students in Chicago schools. In FY 2008, DPH awarded DBCC a grant requiring it to promote HIV/AIDS awareness. Dr. Smith produced to OIG-DCFS investigators documents he claimed justified grant services provided to DCFS and DPH.

Dr. Smith provided investigators with the same invoices (identified below) to support services purportedly provided under both the DCFS Students at Risk and DPH HIV/AIDS awareness grants:

- An April 17, 2009 \$4,143 Invoice from Spirit Tours, Inc., for Charter bus service from Chicago to Springfield, IL, for St. John De LaSalle, St. Ethelreda, McCorkle and Beethoven schools;
- A May 1, 2009 \$5,524 Invoice from Spirit Tours, Inc. for Charter bus service from Chicago to Springfield, IL, for Barnard and Lewis Elementary Schools, Shoop Academy and Songhai Institute;
- A May 12, 2009 \$2,762 Invoice from Spirit Tours, Inc., for Charter bus service from Chicago to Springfield, IL, on May 21, 2009, for Haines and Jenner Schools;
- A May 12, 2009 \$2,762 Invoice from Spirit Tours, Inc., for Charter bus service from Chicago to Springfield, IL, on May 19, 2009, for Bronzeville School and Urban Solutions; and

- A May 12, 2009 \$2,762 Invoice from Spirit Tours, Inc., for Charter bus service from Chicago to Springfield, IL, on May 20, 2009, for National Teachers Academy and Hales School.

## ***2. Same Invoice: Better Life for Youth***

Dr. Smith represented that individual subcontractors (individuals and organizations) provided nearly all services for the Students at Risk grant funds. One of those subcontracting organizations was Better Life for Youth.

Dr. Smith gave investigators Better Life for Youth invoices to support expenditure of DCFS's Students at Risk grant funds. Investigators reviewed these Better Life for Youth invoices and compared them to invoices Dr. Smith gave investigators to support services purportedly provided with funds from ISBE's \$342,000 FY 2009 Student Support Services grant. A comparison revealed that Dr. Smith produced identical Better Life for Youth invoices for \$13,000 in support of services provided with both DCFS and ISBE grant funds both dated March 2, 2009. Dr. Smith also submitted a Better Life for Youth invoice dated November 3, 2008, as evidence that DBCC incurred \$20,500 in costs to justify grant funds received from the FY 2009 DPH grant. Thus, Dr. Smith produced to investigators Better Life for Youth invoices totaling \$46,500 for FY 2009, representing services purportedly provided under three different grants, from DCFS, ISBE, and DPH.

Investigators obtained and reviewed Dr. Smith's bank records. The only DBCC checks investigators were able to identify to Better Life for Youth in FY 2009 totaled \$22,500.

On September 29, 2010, investigators interviewed Better Life for Youth Executive Director Eugene Wolf. Mr. Wolf stated that his organization sponsors an annual spring college tour for approximately 50 youth. He recalled Dr. Smith having made a \$22,000 donation to Better Life for Youth to assist with the expenses associated with the college tour. Mr. Wolf stated that Dr. Smith had copies of Better Life for Youth's invoices, but that his own copies of the invoices were destroyed in a February 2008 fire at 3145 W. Jackson Boulevard in Chicago. Investigators reviewed City of Chicago, Office of Emergency Management and Communications records and determined that there was no report of a fire at 3145 W. Jackson Boulevard in January, February, or March 2008.

## ***3. Same Documents Relating to: DCFS, ISBE, and CPS***

As described above, Dr. Smith often received numerous grants in any one fiscal year for similar services. During FY 2008 and 2009, Dr. Smith received five grants from three different agencies to provide student support type services. Below are the grants Dr. Smith received during these two fiscal years relating to services for students in Chicago schools:

<b><u>Fiscal Year</u></b>	<b><u>State or City Agency</u></b>	<b><u>Contract Amount and Type</u></b>
FY 2008	DCFS	\$450,000—Students at Risk Grant
FY 2008	CBOE	\$518,587—Title I Grant
FY 2009	DCFS	\$450,000—Students at Risk Grant
FY 2009	ISBE	\$342,000—Student Services Grant
FY 2009	CBOE	\$772,045—Title I Grant
Total:		\$2,532,632

To support services provided under each of the above grants, Dr. Smith produced to investigators numerous documents, some of which were client lists that identified specific schools and students served under the various grants. Investigators compared the schools Dr. Smith identified as having served and discovered that he identified serving students from 23 different schools. However, the documents revealed that Dr. Smith claimed serving the same students under three grants—the grants from DCFS, ISBE and CBOE—for seven of the 23 schools. The table below illustrates the same schools purportedly served under two or more grants.

Same Schools Served By Two or More FY 2009 Grants Awarded to Dr. Smith			
<b>SCHOOL NAME</b>	<b>DCFS/DBCC Students at Risk Grant</b>	<b>ISBE/DBCC Student Support Services Grant</b>	<b>CBOE/MPI Students Services Grant</b>
Bronzeville	X	X	X
Hales Franciscan High School	X	X	X
Harlan High School	X		X
Lewis Elementary	X	X	
Sherwood Elementary	X	X	
Songhai Elementary	X	X	
St. Ethelreda Elementary	X		X

#### ***4. Same Documents Relating to: Hales Franciscan High School***

Dr. Smith's DBCC and MPI business entities each identified Hales Franciscan High School as a location that received services under three different grants during FY 2009:

- MPI's Title I Chicago Board of Education Grant;
- DBCC's DCFS Students at Risk Grant; and,
- DBCC's ISBE Student Support Services Grant.

##### **a) Documents Reviewed—Hales Franciscan High School**

Records supplied by Dr. Smith identified Glenn Morris as a consultant for DBCC who provided services at Hales Franciscan High School for DBCC's DCFS Students at Risk grant. A review of MPI records revealed that Glenn Morris was also identified as a subcontractor for MPI who provided student support services to children at Hales Franciscan High School under the

MPI grant received from the Chicago Board of Education. Glenn Morris was also identified in the ISBE grant as an individual who may have contact with children.

Investigators reviewed Independent Contractor Invoices, Daily Record of Counseling Service, billing reports, and counseling schedules for FY 2009 submitted by MPI under the Chicago Board of Education grant and compared those documents with documents Dr. Smith produced to support the DCFS and ISBE grants. Based on a review of these records for the 2008-09 school year, DBCC and MPI billed DCFS and the Chicago Board of Education for services provided:

- on the *same day*; and,
- during the *same* time periods; and
- at the *same* school,

on at least 42 out of 154 days (or 27% of the time). For example, investigators found an *identical* invoice for the period November 17 to 26, 2008 in both the MPI and DBCC records that Dr. Smith produced. The overlapping billing by MPI and DBCC for services provided by Glenn Morris was typically for services provided from Monday through Wednesday each week. DBCC and MPI records produced to investigators included sign-in sheets containing the signature of Hales Franciscan High School Principal Arthur Reliford.

b) Interview of Arthur Reliford—Hales Franciscan High School

On July 22, 2010, investigators interviewed Hales Franciscan High School Principal Arthur Reliford. Mr. Reliford was shown the sign-in sheets containing his signature. After reviewing the sign-in sheets, Mr. Reliford told investigators that it was his understanding that he was signing off on Title I services provided by MPI. Principal Reliford stated that he had never heard of DBCC or Diversified Inc. providing services at Hales Franciscan. He further stated that he was not aware that ISBE or DCFS were funding Dr. Smith's services at Hales Franciscan. Principal Reliford confirmed to investigators that he signed Mr. Morris's time sheets, and that on occasion Mr. Morris presented two time sheets for his signature. Principal Reliford stated that he did not believe he was required to sign time-sheets for Title I purposes, but signed the forms so that MPI could pay Mr. Morris.

**VI. ISBE'S STUDENT SUPPORT SERVICES GRANT AWARDED TO DR. SMITH**

**A. ISBE Awards Dr. Smith a \$342,000 Grant for FY 2009**

On August 21, 2008, the Illinois State Board of Education (ISBE) informed Dr. Smith that the Governor's Office of Management and Budget had recommended DBCC receive a \$342,000 grant for Mentoring, After School and Student Support Programs. The ISBE eventually awarded Dr. Smith the \$342,000 grant for FY 2009 and identified ISBE Consultant Janice Thornhill as the ISBE contact person.

## **B. Interview of ISBE Consultant Janice Thornhill**

On February 24, 2011, investigators interviewed ISBE Division of Budget and Financial Management Consultant Janice Thornhill. Ms. Thornhill stated that she has been employed with the ISBE since 1992 and has been a consultant for approximately 10 to 11 years. Ms. Thornhill stated that she does not presently have any responsibilities with grant administration, but did have a role with grants until the end of FY 2009.

According to Ms. Thornhill, the ISBE received lump sum funding via appropriations. The ISBE advised recipients that they were required to complete grant documentation prior to receipt of funds. Ms. Thornhill said that she reviewed DBCC's documentation, but was unable to recall any issues with DBCC's paperwork. Ms. Thornhill stated that she did not perform any site monitoring or any other grant monitoring activities in relation to DBCC's \$342,000 ISBE grant. In addition, Ms. Thornhill stated that an ISBE employee did conduct a DBCC site visit, but she never verified whether DBCC provided any services and was not aware of any additional monitoring of DBCC by ISBE.

Ms. Thornhill provided investigators with a document titled "Member Initiatives Monitoring Report Form" authored by an ISBE employee. In addition, Ms. Thornhill stated that under the grant terms, DBCC would have been required to submit two ISBE reports upon completion of the grant:

- the Program Performance Plan;<sup>12</sup> and,
- the Agreed-Upon Procedures Report.<sup>13</sup>

Ms. Thornhill was asked to review the section of the ISBE grant agreement titled "Partnership Information." According to Ms. Thornhill, the Partnership Information identifies organizations DBCC intends to work with. Ms. Thornhill stated that representatives of the other organizations identified are required to sign and acknowledge the partnership. She stated that the "dollar value of support" figure on the document is a "fictitious number" that is a determination of the value of the services DBCC is required to provide to partner agencies but that no money is exchanged.

Ms. Thornhill was asked to review the Program Performance Report "Outcomes" section of DBCC's submission to the ISBE. In DBCC's submission for the "Outcomes" of the ISBE grant, it stated, among other things:

*Individual and group therapy was provided to each student referred for counseling in the **Student At Risk (SAR)** program.* (emphasis added).

---

<sup>12</sup> DBCC's Program Performance Report was submitted late on February 8, 2010. It was due by September 30, 2009.

<sup>13</sup> The Agreed-Upon Procedures portion of the ISBE report was also submitted late and should have been submitted within 90 days of the completion of the project, which was initially set to end on June 30, 2009, but was extended to August 31, 2009. DBCC's report was not submitted until February 7, 2011, over fifteen months late and only after ISBE made repeated attempts to obtain the report via e-mail and telephone calls to Dr. George Smith and Diane Grant.

DBCC included additional information relating to the “SAR” program in the “Outcomes” section of the program performance report. After reviewing this section, Ms. Thornhill stated that, as far as she was aware, the program titled “Student at Risk” was not a program paid for by ISBE.

### **C. Interview of Lewis School Principal Sharon Brown-Haynes**

During a review of DBCC’s ISBE \$342,000 grant, investigators identified a “Partnership Information” document. The Partnership Information document reflected the name of a “partner” school, Lewis Elementary School (Lewis School). The document also included the school’s address and name of the School Principal, Ms. Sharon Brown-Haynes, as well as a “dollar value of support” of \$18,000. The document purported to show that DBCC was to provide or provided \$18,000 worth of services to Lewis School.

#### ***1. Principal Sharon Brown-Haynes—Duties and Responsibilities***

On April 21, 2011, investigators interviewed Chicago Board of Education Principal Sharon Brown-Haynes. Ms. Brown-Haynes informed investigators that she has been a Principal of the Lewis School, a Chicago Public School, since July 2008. According to Ms. Brown-Haynes, all Lewis School students are eligible to receive Federal Title I funds and services, because they are considered economically disadvantaged children.

Ms. Brown-Haynes was asked about agencies that provide Lewis School student support services. In response, Ms. Brown-Haynes stated that there are three outside agencies that offer student support programs. One of the agencies that offers programs is DBCC. According to Ms. Brown-Haynes, DBCC tutors groups of students in third to eighth grades. Ms. Brown-Haynes stated that DBCC receives its contracts from the Chicago Board of Education.

Ms. Brown-Haynes indicated that she does not receive any additional salary relating to services DBCC provides Lewis School students, but that from 2007 through 2008, while serving as an administrator for the Chicago Public Schools, she also worked at Chicago State University as a consultant. As a CSU consultant, Ms. Brown-Haynes estimated earning between \$3,000 to \$10,000 annually tutoring students.

#### ***2. Principal Sharon Brown-Haynes’s Review of FY 2009 ISBE Documents***

Ms. Brown-Haynes was shown a copy of the “Partnership Information” document that identified the name of “partner” school (Lewis School) and contained her signature as School Principal, as well as a “dollar value of support” reflecting an amount of \$18,000. Ms. Brown-Haynes confirmed that the document contained her signatures, but she could not recall why she had signed the document nor was she aware of the document’s purpose. However, she indicated that the \$18,000 figure above her signature would reflect an estimated value of the counseling support services that DBCC provided to Lewis School students.

#### ***3. Principal Sharon Brown-Haynes and Dr. George Smith***

Ms. Brown-Haynes said that from 2006 through 2008, she was also a DBCC consultant. As a DBCC consultant, Ms. Brown-Haynes conducted research, and developed and evaluated programs. According to Ms. Brown-Haynes, she earned approximately \$30,000 to \$35,000

during her entire time at DBCC. In addition, Ms. Brown-Haynes said that she attended an annual Greater Opportunity Head Start conference in Odessa, Texas, with Dr. Smith and received approximately \$2,000 annually by Greater Opportunity as a strategic planner.

A review of bank records from Dr. Smith's business entities revealed that in FY 2008 and FY 2009 Ms. Brown-Haynes received total payments of \$57,500.

Ms. Brown-Haynes said that she has known Dr. Smith for approximately 14 years and considers him a "friend and mentor." Ms. Brown-Haynes stated that she spoke with Dr. Smith the morning of her interview (April 21, 2011). Ms. Brown-Haynes also said that she dines with Dr. Smith approximately two times per month and that Dr. Smith almost always pays for her meal without reimbursement from her. Ms. Brown-Haynes stated that she attends sporting events with Dr. Smith, including:<sup>14</sup>

- Chicago White Sox games;
- Chicago Cubs games; and,
- Chicago Bulls games.

Ms. Brown-Haynes said that she attends sporting events about four times per year and has never paid for her ticket. Ms. Brown-Haynes indicated that she does not believe that she violated any Chicago Board of Education gift ban policy that limits the amount in gifts that she can accept, because she does not consider tickets to sporting events or dinners as gifts.

Ms. Brown-Haynes was shown a copy of a \$5,000 invoice dated June 14, 2008, that she had submitted to DBCC. According to Ms. Brown-Haynes, the invoice was for consulting relating to research processes and procedures for implementing HIV/AIDS program evaluations, but she was unable to recall the exact nature of the work she performed. Ms. Brown-Haynes stated that the Chicago Board of Education should have knowledge of her supplemental income because she added it to her annual statement of economic interest. She said she did not complete a Secondary Employment Notification form.

#### ***4. Principal Sharon Brown-Haynes's Selection of Dr. Smith's MPI***

During her interview, Ms. Brown-Haynes also stated that she knew Dr. Smith owned other entities: Management Planning Institute (MPI) and the Institute for Positive Child and Family Development (IPCFD). Ms. Brown-Haynes stated that MPI has a contract with the Chicago Board of Education for providing "Least Restrictive Environment" (LRE) services to students attending Lewis School. Ms. Brown-Haynes informed investigators that she was the individual who selected Dr. Smith's MPI business as the entity that would provide LRE services to the Lewis students, but she said neither her personal relationship with Dr. Smith nor her prior employment with him played any role in her decision.

---

<sup>14</sup> See supra at footnote 10.



## **VII. DISALLOWABLE EXPENSES AND MISREPRESENTATIONS**

DCFS Administrative Rules permit a grant vendor to budget for and allocate certain costs as “administrative expenses” for which it may be reimbursed by DCFS. DCFS rules also specify expenses that DCFS will not fund. For instance, DCFS rules limit the amount of reimbursable administrative expenses to 20 percent of the direct expenses. Investigators identified disallowable expenses for which Dr. Smith was paid by DCFS.

### **A. Disallowable Rental Expenses**

In light of the fact that DCFS awarded Dr. Smith grants in excess of \$150,000, Dr. Smith was required to and did submit to DCFS an audit report performed by an auditor retained by DBCC. DBCC’s audit claimed that DBCC paid a total of \$130,500 for rental expenses incurred to support DBCC’s direct program expenses under one or more of the grants awarded to DBCC. As noted above, DBCC has two addresses:

- The Western Avenue facility which is owned by Ed’s Investments, and which Dr. Smith is a partner and CEO; and,
- The 87th Street facility owned by Peter Gritzanis.

Investigators discovered in documentation Dr. Smith submitted to support FY 2009 Head Start Services to the City of Chicago, Dr. Smith represented that Ed’s Investments owned the 87th Street facility.

A review of bank records reflects that in FY 2008, Dr. Smith paid Mr. Gritzanis \$75,000 and in FY 2009 paid him \$40,000. Investigators obtained a copy of a lease Dr. Smith provided to DCEO between DBCC and Peter Gritzanis for the period of July 1, 2010 to June 30, 2010 (sic). The lease reflects a monthly rent of \$2,500 or a yearly amount of \$30,000.

Dr. Smith claimed a total of \$130,500 of rental expenses in its FY 2009 independent audit. However, a review of Dr. Smith’s bank records reveals the amount of rent he actually paid in FY 2009 was about \$85,000 (\$40,000 to Peter Gritzanis and \$45,000 to Ed’s Investments), yet a lease submitted to DCEO reveals that Dr. Smith only paid Peter Gritzanis \$30,000. Moreover, in light of the fact that Ed’s Investments is a related entity, Dr. Smith was entitled to very limited recovery for rent paid to Ed’s Investments.<sup>15</sup>

### **B. Misrepresentation (Ghost) Salaries and Expenses—FCRC and YSN/CAYIT**

#### ***1. Family and Community Resource Center***

As noted above, in FYs 2008 and 2009, DCFS awarded DBCC numerous grants to serve as “fiscal agent” for family advocacy centers. DBCC served as “fiscal agent” for the Family and

---

<sup>15</sup> According to Ill. Admin. Code tit. 89 § 356.60, rent charged for any property in which Dr. Smith had an interest would have to be limited to the *property expenses* (generally, cost of mortgage and taxes, as opposed to the actual rental cost or the fair market value of the property).

Community Resource Center (FCRC) to provide counseling services. DBCC submitted a budget to DCFS representing a total of \$592,230 in program expenses. However, DBCC provided a budget to FCRC of \$433,395. Thus, DCFS paid DBCC \$592,230, even though DBCC only paid FCRC \$433,395 for a difference of \$158,835.

On November 1, 2010, investigators interviewed [FCRC Official] and [FCRC Employee #1]. [FCRC Official] and [FCRC Employee #1] indicated that they were unaware that DBCC submitted a \$592,230 budget to DCFS. They also said they were never consulted on the development of their own budget. Both individuals informed investigators that FCRC operated under the \$433,395 budget, as indicated by DBCC. They provided investigators with a copy of the \$433,395 budget that they received from DBCC Executive Director Pleshette Hamb.

Investigators reviewed the FCRC Program Plan submitted by DBCC and included in the DCFS FCRC grant. The Program Plan contains no information concerning what services DBCC was to provide as “fiscal agent” for the FCRC. Investigators reviewed the \$433,395 budget Ms. Hamb provided [FCRC Official] and [FCRC Employee #1] and discovered that the budget included payroll expenses for the following individuals:

- [FCRC Official];
- [FCRC Employee #2];
- [FCRC Employee #1];
- a receptionist; and
- three Family Support Specialists.

After reviewing the budget, [FCRC Official] and [FCRC Employee] informed investigators that [FCRC Employee #2] left FCRC’s employ in March 2007 and was never replaced. DBCC, however, never reduced or adjusted the DCFS budget to reflect the departure of [FCRC Employee #2].

Investigators also determined that the DBCC’s FCRC budget itemized the \$50,544 salary of [FCRC Official] and the \$46,800 salary of the [FCRC Employee #1] as *administrative* expenses for a total of \$97,344. The direct services portion of the FCRC budget would thus be as follows: FCRC Budget of \$433,395 less administrative expenses of \$97,344 equals a total direct services amount of \$336,051.

Illinois Administrative Code Title 89, Sec. 356.50(c) limits any vendor from recovering more than 20% of direct expenses for administrative fees. Since FCRC only spent \$336,051 in direct expenses, the vendor was only entitled to \$67,201 in administrative expenses. The \$67,201 figure would have to include the following: the fiscal agent fee, [FCRC Official’s] salary *and* associated administrative expenses, such as the allocation of rent and the salary and associated expenses of [FCRC Employee #1]. DBCC, however, received \$592,230 each year, effectively \$256,179 over the direct service expenses of \$336,051. In other words, assuming DBCC did anything to earn its \$158,835, the administrative expenses, as itemized by DBCC and taking into account DBCC’s full \$592,230 budget, was 76% of the direct service portion of the grant.

DBCC's \$592,230 budget also included a direct expense line item for "Other Consultants and Contractual" of \$77,000. However, FCRC's \$433,395 budget did not contain a direct expense line item for "Other Consultants and Contractual" of \$77,000. [FCRC Employee #1] and [FCRC Employee #1] of FCRC informed investigators that FCRC did not employ consultants.

## ***2. Youth Stabilization Network/Child and Youth Investment Team***

Beginning in FY 2008, DCFS awarded DBCC the first of four annual grants for services related to the Youth Stabilization Network/Child and Youth Investment Team (YSN/CAYIT). The grant amounts were as follows: (FY 2008 \$911,600); (FY 2009 \$911,000); (FY 2010 \$911,600); and, (FY 2011 \$911,000). The grant agreements contained a separate budget for each program. The DCFS database and contracts identified two staff persons as program monitors—DCFS Division of Child Protection Cook County Shelter Coordinator Donna Kazragis, the assigned monitor of the YSN portion of the grant, and DCFS Division of Clinical Services Statewide CAYIT Coordinator Lee Annes, the assigned monitor of the CAYIT portion of the grant.

On October 13, 2010 and March 10, 2011, investigators interviewed DCFS Cook County Shelter Coordinator Donna Kazragis. Ms. Kazragis described her monitoring role as limited to receiving YSN quarterly reports. Ms. Kazragis said that she received quarterly reports and cost reports and, per her supervisor, was not required to determine if services were rendered. Ms. Kazragis said that she only had to sign off on the "buckslips" received. Ms. Kazragis also said that she never saw the grant program plan or grant budget. Ms. Kazragis therefore could not compare a submitted quarterly cost report with the budget to determine whether the cost of an item set out in a quarterly cost report was consistent with the grant budget, nor could she determine whether the services were actually provided.

Ms. Kazragis acknowledged that by signing the payment approvals ("buckslips") she confirmed the "receipt of goods and services" and approval of payment to DBCC. Investigators asked Ms. Kazragis how she was able to approve the "receipt of goods and services" if she never saw the grant agreement, or program plan. In response, Ms. Kazragis stated, "I was told to sign them and send them to Springfield." Ms. Kazragis confirmed that she signed "buckslips" without verifying the receipt of goods and services, but she said she thought DBCC provided services, because she saw them working with children.

### ***a) Unknown Therapist in DBCC's YSN Budget***

Investigators reviewed the YSN portion of DBCC's submitted budget for FYs 2008 and 2009. The budget contained a \$150,000 line item for three full-time therapist positions. Investigators asked Ms. Kazragis if she was aware of the identity of the three full-time therapists, but she was only able to identify two therapists.<sup>16</sup> According to Ms. Kazragis, DBCC's

---

<sup>16</sup> On November 30, 2010, investigators interviewed Ms. Hamb and asked her to identify the third full-time YSN therapist. In response, Ms. Hamb identified Dr. Mashana Smith. Investigators asked Ms. Hamb for supporting documentation of Dr. Mashana Smith's therapeutic work. In response, Ms. Hamb produced documents that did not support Dr. Smith's supposed full-time work with YSN clients. A review of the DBCC budget reveals that DBCC never adjusted its budget to reflect the employment of only two full-time, \$50,000 per year therapists.

Executive Director Pleshette Hamb identified the third therapist as an intern whom DBCC no longer employed.

As a result, Dr. Smith represented that DBCC incurred costs of \$50,000 each year during FYs 2008 and 2009 that it did not incur, and for which it was paid.

b) Unknown CAYIT Consultants in DBCC Budget

Investigators also determined that the CAYIT portion of the FYs 2008 and 2009 grant included approved consultant costs totaling \$38,000. However, Mr. Lee Annes, the CAYIT monitor, was unable to identify any CAYIT consultants.<sup>17</sup>

As a result, DBCC represented that it incurred costs of \$38,000 during FYs 2008 and 2009 that it did not incur, but for which it was paid.

c) Pleshette Hamb's \$75,000 Yearly YSN Salary

According to DBCC documents, DBCC allocated 100% of Ms. Hamb's \$75,000 yearly salary as expensed to the YSN portion of the FY 2009 \$911,000 grant. DBCC payroll records reveal that Ms. Hamb was paid \$75,000 in FY 2009 by DBCC.

Thus, through his various business entities, Dr. Smith obtained reimbursement for Ms. Hamb's yearly salary from at least two different grants in an amount that exceeded 100% of her yearly salary.

d) DCFS Requests to Produce Additional YSN Documentation

Ms. Kazragis stated that in October 2010, she requested additional documentation from Ms. Hamb in regards to DBCC's FY 2011 YSN grant. Ms. Kazragis explained that she requested additional information from DBCC for certain monthly invoices and sought additional information about what services DBCC provided, including "process recordings" from clinical outreach services provided to youth. However, neither Ms. Hamb nor anyone from DBCC responded to Ms. Kazragis's requests.

On March 7, 2011, Ms. Kazragis met with Ms. Hamb regarding DBCC's proposed FY 2012 grant submission. During the meeting, Ms. Kazragis informed Ms. Hamb that DCFS would require DBCC to produce additional documentation for the FY 2012 \$911,000 grant. In response to the request for additional documentation, Ms. Hamb said it was "unfair" for DCFS to ask DBCC for documentation that DCFS had never previously requested.

**C. Misrepresentations Relating to Administrative and Direct Expense—FCRC**

As noted above, DCFS awarded DBCC grants so that DBCC would serve as "fiscal agent" for several family advocacy centers located in central Illinois. Investigators reviewed

---

<sup>17</sup> On November 29, 2010, investigators interviewed Dr. Smith and Ms. Hamb. During the interview, neither Dr. Smith nor Ms. Hamb was able to identify any consultant associated with the CAYIT program.

DBCC's fiscal agent grants and discovered that DBCC characterized its "fiscal fees," as *direct expenses* rather than *administrative* fees. These grants did not require DBCC to provide child welfare services, rather they required DBCC to manage the fiscal affairs of other organizations for a "fee." In light of the fact that a fiscal agent does not provide a direct service, the fiscal agent fees DBCC was paid were required to be classified as *administrative* rather than *direct* expenses and would be subject to the limitation of 20% of direct service fees.

#### **D. Misrepresentation of Dr. Smith as a Psychiatrist**

Investigators reviewed DBCC's Illinois Charitable Organizational Annual Reports (Form AG990-IL) filed in 2003 through 2009. Beginning in FY 2007, DBCC submitted Form AG990-IL in which Dr. Smith certified he was a psychiatrist. Dr. Smith, however, is not a medical doctor, psychiatrist or psychologist. In DBCC's FY 2007 Form AG990-IL, Dr. Smith represented himself as both a DBCC employee (psychiatrist) with a \$70,000 annual compensation *and* as an Independent Contractor (psychiatrist) compensated at \$83,400. DBCC's Form AG990-IL for FYs 2008 and 2009 also contained certifications that Dr. Smith is a psychiatrist with a \$146,000 annual compensation. Dr. Smith signed the FYs 2008 and 2009 Form AG990-IL as DBCC President.

In an interview with OIG-DCFS investigators, Dr. Smith stated the identification of himself as a psychiatrist on the Form AG990-IL was an error.

### **VIII. DR. SMITH'S BUSINESS ENTITIES COMMINGLE FUNDS/EXPENSES**

A review of bank records revealed DBCC, MPI and the other Dr. Smith business entities commingled grant funds and failed to keep adequate records of so-called "loans" between entities. In addition, records revealed that certain entities paid expenses incurred by other entities.

#### **A. MPI Consultants Glenn Morris and Angela Scott**

A review of DCFS/DBCC Students at Risk and CBOE<sup>18</sup>/MPI grant documents produced to investigators reveals that in at least three instances, consultants who provided services on behalf of both DBCC and MPI were paid from DBCC's bank accounts. DBCC and MPI identified Glenn Morris and Dr. Angela Scott as consultants providing in-school services under DBCC's Student at Risk program and under MPI's Chicago Board of Education grant. Records Dr. Smith provided to investigators to support services under the ISBE grant revealed that Dr. Scott was also claimed as having provided services. A review of DBCC bank accounts reveals that in FYs 2008 and 2009, Mr. Morris and Dr. Scott were paid \$119,408 from the DBCC account and \$1,550 from bank accounts maintained in the name of other for-profit companies Dr. Smith owned or controlled. In other words, investigators determined that Mr. Morris and Dr. Scott were paid only by checks drawn on the DBCC bank account, *not* from the MPI bank account, even though they ostensibly provided consulting services for both DBCC and MPI.

---

<sup>18</sup> Chicago Board of Education.

In a letter dated December 10, 2010, to the OIG-DCFS, Dr. Smith stated that Mr. Morris's work included both MPI and DCFS/DBCC Students at Risk work. In his letter, Dr. Smith also stated that, "Mr. Morris was able to satisfy the program needs for both programs," and was "inadvertently paid from one DBCC account" for the 2008-09 school year. Dr. Smith asserted that the DBCC account was later reimbursed in total with funds from the MPI account.

#### **B. MPI Consultant [consultant]**

[Consultant] was another consultant identified by DBCC and MPI as providing Title I academic counseling and tutoring during the 2008-2009 school year pursuant to MPI's FY 2009 grant from the Chicago Board of Education. Records submitted to the OIG-DCFS investigators revealed that MPI submitted monthly invoices to the Chicago Board of Education representing [consultant's] services totaled \$55,600 from September 8, 2008 through May 31, 2009. A review of DBCC's bank records reveals that nearly all of [consultant's] compensation was paid from checks drawn on bank accounts maintained by DBCC, not MPI. MPI bank records reveal that in FY 2009, there were only two checks drawn on the account payable to "[consultant]," for a total of \$240.

#### **C. So-Called "Loans" Between Entities**

In addition to commingling of grant funds, an examination of DBCC and related for-profit entities' bank accounts revealed a significant amount of funds transferred between Dr. Smith's various business entities, and identified as "loans" in notations on the checks. Investigators were unable to reconcile the various "loans" between Dr. Smith's entities. Moreover, Dr. Smith did not produce any promissory notes or other documentation detailing the terms of the so-called loans.

### **IX. DCFS FAILED TO MONITOR GRANTS AWARDED TO DR. SMITH**

#### **A. DCFS's Failure to Monitor Students at Risk Grants**

DCFS awarded DBCC annual \$450,000 Students at Risk grants between FYs 2006 and 2010, for a total of \$2,250,000. A review of DCFS records and interviews of DCFS personnel reveal that the Students at Risk grants went unmonitored until at least March 2009. In addition, even though the Students at Risk grant was monitored after March 2009, "red flags" raised by contract monitors were apparently ignored.

##### ***1. Interview of DCFS Cook County Life Skills Coordinator Ken Broady***

On October 5, 2010 and February 8, 2011, investigators interviewed DCFS Division of Service Intervention Cook County Life Skills Coordinator Ken Broady. Mr. Broady said that in 2006, he began monitoring contracts in DCFS's Division of Service Intervention. Prior to his assignment, Mr. Broady had no experience as a contract monitor. After his assignment, Mr. Broady did not receive any formal contract monitor training; rather, he reported learning "on-the-job." Mr. Broady described the responsibilities of a contract monitor as ensuring that "a provider is providing services required by a contract." Mr. Broady understood that grant fund payments would not be made or available if a provider failed to fulfill its grant program plan.

On March 22, 2006, Mr. Broady first learned that he was the assigned monitor for the \$450,000 per year DBCC Students at Risk grant. Mr. Broady became aware of his assignment via an e-mail he received from DCFS Business Manager Darlene Cannon. In the e-mail, Ms. Cannon indicated that Dr. Smith called her requesting his quarterly \$112,500 Students at Risk grant payment and payment for another DCFS grant (Fatherhood Initiative grant). Mr. Broady stated that he had never received a copy of the DBCC Students at Risk grant, cost reports or program reports.

On March 28, 2006, shortly after learning that he was the Students at Risk contract monitor, Mr. Broady scheduled a DBCC site visit.<sup>19</sup> After arriving at DBCC, Mr. Broady stated that he was asked to sit and wait for what he described as “a long period of time.” Eventually, Mr. Broady said he was able to speak with Dr. Smith and asked him for documentation relating to the \$450,000 Students at Risk grant. In response to Mr. Broady’s request, Dr. Smith informed him that he (Dr. Smith) does not “report” to Mr. Broady and he only reported to “Mac.”<sup>20</sup> Dr. Smith also said Mr. Broady already had enough documents. After the site visit, Mr. Broady returned to DCFS and informed the former DCFS Division of Service Intervention Deputy Director Cynthia Moreno of what had taken place. According to Mr. Broady, Ms. Moreno instructed him not to have further contact with DBCC until otherwise instructed.

According to an e-mail Mr. Broady sent to DCFS employee Kim Peck on April 7, 2006, at 4:13 pm, he and DCFS Business Manager Darlene Cannon met with then-Deputy Director Erwin McEwen regarding his role with Diversified. In the e-mail, Mr. Broady wrote:

Deputy McEwen shared with us the fact that he oversees all of the departments. As a result, Deputy McEwen has detailed documentation from Diversified regarding the OETS<sup>21</sup> contract. Deputy McEwen shared this information with us and agreed to forward additional information as received.

In a June 28, 2006 e-mail Ken Broady sent to Ms. Peck, he stated that, “Deputy McEwen advised that he is handling all aspects of the Diversified grant per the Director’s office.” The DCFS Director at that time was Bryan Samuels and Erwin McEwen was then the Deputy Director of Monitoring and Quality Assurance Division.

On February 1, 2007, Mr. Broady sent Ms. Peck another e-mail regarding Director McEwen’s role with the DBCC grant. In this e-mail, Mr. Broady stated, “[a]lthough, this contract is listed under OETS, the monitoring was handled in Erwin McEwen’s shop. Darlene and I met with Erwin once and he advised us that we should play no role in this monitoring.” Mr. Broady also e-mailed DCFS employee Nancie Brown,<sup>22</sup> requesting his name (Ken Broady)

---

<sup>19</sup> A site visit is conducted in order to verify that services are provided as agreed upon between agencies and vendors.

<sup>20</sup> “Mac” is the nickname used to refer to DCFS Director Erwin McEwen.

<sup>21</sup> OETS refers to the Office of Education and Transition Services, a division within DCFS.

<sup>22</sup> In an e-mail dated December 10, 2007, at 2:19 p.m., DCFS employee Nancie Brown sent an e-mail to Diane Grant of DBCC in which Ms. Brown wrote in large font and underlined the following:

This is my sixth and final request for this information. It’s [sic] being requested by, and must be reported to, the federal government – Health and Human Services – Children’s Bureau/Office of Child Abuse and

be removed as contract monitor. Despite his request, Mr. Broady later discovered his name was still listed as DBCC's Students at Risk contract monitor. Mr. Broady said that he understood that he had to be identified as contract monitor "on paper" because Erwin McEwen subsequently became DCFS Director and could not be the grant monitor. In any event, Mr. Broady indicated that he never received DBCC grants to review, nor were quarterly cost or program reports ever submitted to him. Thus, Mr. Broady said he "ignored e-mails" from the DCFS Financial Division requesting information about DBCC's grants, and never approved payments to DBCC.

## ***2. Interview of Former DCFS Deputy Director Cynthia Moreno***

On February 8 and 14, 2011, investigators interviewed former DCFS Deputy Director of Service Intervention Cynthia Moreno. Ms. Moreno indicated that she began working for DCFS in 2006 under former DCFS Director Bryan Samuels. In November 2006, Ms. Moreno began reporting to newly appointed DCFS Director McEwen. While at DCFS, Ms. Moreno managed the Service Intervention Division in which, among others, Ken Broady, Kim Peck, Darlene Cannon, and Kevin Walsh were employed.

Ms. Moreno was shown a number of e-mails relating to DBCC. After reviewing a February 20, 2007 e-mail Ms. Moreno had sent to Ms. Peck and DCFS Business Manager Darlene Cannon, Ms. Moreno confirmed that she was aware that Dr. Smith would only correspond with Ms. Cannon and Director McEwen. Ms. Moreno said that Dr. Smith should have communicated with Ken Broady, the assigned contract monitor, but did not. Ms. Moreno stated that she did speak with Director McEwen about Dr. Smith's failure to communicate with the contract monitor, and that Director McEwen's response was that the contract monitor should continue doing his job.

Ms. Moreno confirmed that she sent DCFS employees Kim Peck, Darlene Cannon, and Ken Broady,<sup>23</sup> and DCFS Director Erwin McEwen<sup>24</sup> copies of an email on March 8, 2007, at 10:10 a.m. referring to the Students at Risk grant. In the March 8, 2007 e-mail, Ms. Moreno stated, "I met with the Director [McEwen] this past Monday and he indicated he will be the contract monitor for Diversified." Ms. Moreno stated that she was aware that DBCC was not supplying DCFS requested documents during the course of the grant.<sup>25</sup> [Redacted.]

Investigators asked Ms. Moreno questions relating to Director McEwen and the approval of DBCC grants. In response, Ms. Moreno stated that:

- it was unusual for a vendor to communicate only with the Director of DCFS, and
- it was unusual for a vendor to send monthly reports to the Director of DCFS.

---

Neglect, in accordance with GPRA. According to government guidelines, unless I receive this information I will have to let the feds know that the Family and Community Resource Center is classified as a program that is "Harmful to Clients/Undetermined".

<sup>23</sup> Ms. Moreno also copied DCFS employees [DCFS Employee #1] and [DCFS Employee #2].

<sup>24</sup> Investigators were unable to locate a response to Ms. Moreno's e-mail from Director McEwen, even though when shown this e-mail Director McEwen stated, "they have interpreted this wrong . . . I tried to give this to them . . . if they had a problem then they should have flagged it." See *infra* at section XI.(C).

<sup>25</sup> Ms. Moreno stated that DBCC was not the only vendor that did not supply requested information.



Ms. Moreno stated that Ms. Cannon was responsible for processing payments for grants, but not monitoring them. Ms. Moreno stated that she is unaware of any other provider submitting monthly reports directly to the DCFS Director. Ms. Moreno stated that she wondered what DBCC was doing with grant funds and raised questions to Director McEwen, but because he was DCFS Director, she did not go any further. Ms. Moreno said she believed that if she visited DBCC, she may have been subject to termination and thus “backed off” of the DBCC grants. According to State records, DCFS terminated Ms. Moreno on July 2, 2008.

### ***3. Interview of DCFS Coordinator Kevin Walsh***

On June 1, 2010 and February 7, 2011, investigators interviewed DCFS Division of Service Intervention Cook County Education and Transition Services Coordinator Kevin Walsh. Mr. Walsh said he has been a DCFS employee for about 17 years and reports to DCFS Division of Service Intervention Deputy Director Daniel Fitzgerald.<sup>26</sup>

#### ***a) Students at Risk “Red Flags”***

Mr. Walsh indicated that in March 2009, DCFS Office of Education and Transition Services Associate Deputy Director Frances Elbert assigned him to supervise the monitoring of DBCC’s \$450,000 FY 2009 Students at Risk grant. He assigned John Kasper to be the program monitor. Mr. Walsh said that when he received the DBCC grant file, it did not contain prior monitoring reports, which he said was “not a normal practice.” The absence of a monitoring file was the first “red flag” Mr. Walsh noticed about the DBCC grant. Mr. Walsh also said that the DBCC file contained no prior cost and program reports. The lack of reports revealed to him that there had not been any prior monitoring. In fact, Mr. Walsh did not believe anyone had been monitoring the DBCC contract from at least 2007 through March 2009.

In an effort to perform his supervisory contract monitoring responsibilities, Mr. Walsh drafted a series of letters to Dr. Smith, CEO of DBCC, in which he asked Dr. Smith to produce certain documentation supporting payment of the \$450,000 FY 2009 Students at Risk billings.

#### ***b) The April 16, 2009 Letter to Dr. Smith***

On April 16, 2009, Mr. Walsh sent Dr. Smith a letter requesting documentation detailing services DBCC purportedly provided with grant funds. In response to the April letter, Dr. Smith submitted a 1st, 2nd, and 3rd quarter “data report,” which only listed names of schools. According to Mr. Walsh, the information Dr. Smith submitted was not “remotely close” to what he requested. Mr. Walsh’s April 16, 2009 letter was copied to: DCFS Deputy Director Daniel Fitzgerald, Acting Associate Deputy Director Frances Elbert, Contract Monitor John Kasper and Business Manager Darlene Cannon.

At about the same time, Mr. Walsh asked DCFS program monitor John Kasper to conduct a DBCC site visit in order to ask Dr. Smith about a \$13,000 payment DBCC made to the Better Life for Youth organization. Mr. Kasper proceeded to the DBCC Offices and asked Dr. Smith for information about the \$13,000 payment. In response to his inquiries, Dr. Smith asked

---

<sup>26</sup> Mr. Fitzgerald assumed the position Cynthia Moreno previously held at DCFS.

Mr. Kasper if he knew that Better Life for Youth was [former] Illinois State Senator Ricky Hendon's organization.

c) The June 12, 2009 Letter to Dr. Smith

On June 12, 2009, just over two months after Mr. Walsh sent Dr. Smith his first letter, Mr. Walsh sent Dr. Smith a second letter. In this letter, Mr. Walsh sought information regarding missing DBCC data and asked Dr. Smith to produce certain DBCC documentation. In response to the June 12, 2009 letter, Dr. Smith submitted a "stack of documents," including travel invoices, tour trip receipts, food receipts, subcontract agreements, and a list of names from an organization called Alliance for Community Peace. Mr. Walsh described Dr. Smith's response as "incomplete and non-responsive." Mr. Walsh's June 12, 2009 letter was copied to: DCFS Deputy Director Daniel Fitzgerald, Acting Associate Deputy Director Frances Elbert, Contract Monitor John Kasper, Business Manager Darlene Cannon and [DCFS Employee #3].

d) The June 24, 2009 Letter to Dr. Smith

On June 24, 2009, less than two weeks after sending Dr. Smith the second letter, Mr. Walsh sent Dr. Smith a third letter. In this letter, Mr. Walsh again sought documentation from Dr. Smith that would verify that DBCC's program goals were being met. Mr. Walsh stated that Dr. Smith did not respond to or fulfill the request. The letter was copied to: DCFS Deputy Director Daniel Fitzgerald, Acting Associate Deputy Director Frances Elbert, Contract Monitor John Kasper, Business Manager Darlene Cannon and Contract Analyst [DCFS Employee #3].

e) The Fourth Quarter Cost Report

Mr. Walsh informed investigators that when he assumed supervisory monitoring responsibilities of DBCC's Students at Risk grant, DCFS had not released the \$112,500 payment to DBCC for the fourth quarter of FY 2009. In light of the fact that Dr. Smith failed to comply with Mr. Walsh's requests for documents and because Mr. Walsh was unable to determine if DBCC had satisfied the grant Program Plan, Mr. Walsh said that neither he nor the program monitor, John Kasper, were prepared to approve DBCC's \$112,500 fourth quarter payment. Mr. Walsh stated that Deputy Director Daniel Fitzgerald, Associate Deputy Director Frances Elbert, Darlene Cannon and John Kasper were all aware of Dr. Smith's failure to provide documentation that would support payment for services purportedly delivered.

Mr. Walsh said he later learned that DCFS Business Manager Darlene Cannon and DCFS Deputy Director Daniel Fitzgerald had executed DBCC's fourth quarter payment approval on June 16, 2009 and July 9, 2009, respectively, thereby approving the fourth quarter payment of \$112,500 to DBCC. Mr. Walsh indicated that he wondered how DBCC's cost report could have been approved, because DCFS policy required approval by him or Mr. Kasper as a precondition to payment, as they were the program monitor and supervisor.

f) The September 1, 2009 Memorandum

On September 1, 2009, Mr. Walsh sent DCFS Deputy Director Fitzgerald a detailed memorandum summarizing his communications with Dr. Smith. In his memorandum to Deputy

Director Fitzgerald, Mr. Walsh identified three line items in the DBCC Students at Risk grant budget that he believed required further documentation. Specifically, Mr. Walsh sought information relating to:

- a \$175,000 line item for consultants;
- a \$50,000 line item for a “Mentorship Program,” and;
- a \$38,000 line item for “Education Tours.”

Mr. Walsh stated that he asked for this information because the line items for the “Mentorship Program” and “Education Tours” were not identified in the Students at Risk Program Plan. Mr. Walsh said it was also unclear why the program budget contained a line item for payment for services not included in the Program Plan, and it was unclear how DBCC intended to utilize Students at Risk grant funds for these purposes. Dr. Smith had apparently also not provided any information about who received or provided the services relating to these line items totaling \$263,000, or 58% of the full grant amount.

In addition, Mr. Walsh said that because 75% of DBCC’s Students at Risk grants funds were from federal funds for services to youth in foster care, it was essential that DBCC produce evidence that it was providing services to children in foster care. Dr. Smith subsequently informed Mr. Walsh that DBCC did not track whether the youth were in foster care. Mr. Walsh explained that he had expressed concern about DBCC’s failure to serve DCFS wards while using federal foster care funds to his then supervisor, Frances Elbert.

#### ***4. Interview of DCFS Business Manager Darlene Cannon***

On October 26, 2010 and March 7, 2011, investigators interviewed DCFS Business Manager Darlene Cannon. Ms. Cannon’s responsibilities include making certain grant vendors submitted the required documentation before she executed payment requests or “buckslips,” to the State Comptroller, authorizing payments to the vendors. She said that she was not responsible for any programmatic monitoring of grants, including any DBCC grants. Ms. Cannon explained that before a vendor is paid, payment must be authorized by two DCFS personnel, indicated by their signatures: one staff member certifies that goods and services have been received (the program monitor) and the other by a Deputy Director who approves payment. As Business Manager, Ms. Cannon stated that she has authority to sign on behalf of Deputy Director Daniel Fitzgerald.

Ms. Cannon said she began working with the Students at Risk and FCRC grants in 2006 and received and processed numerous “buckslips,” or vouchers, from DBCC under both grants. Ms. Cannon indicated that neither the Students at Risk nor the FCRC grants had an assigned program monitor until Kevin Walsh was assigned as Supervisor in 2009. In a January 26, 2007 e-mail, Ms. Cannon noted that, “DBCC is another contract that was under External Affairs [Division of DCFS]. Although Ken [Broady] is the monitor of the contract, the vendor works with Mac.”<sup>27</sup> Nearly a month later, in a February 15, 2007 e-mail, Ms. Cannon stated, “The only problem is that Dr. Smith doesn’t communicate with Ken [Broady]. It appears that he only communicate[s] with Mac and myself. Dr. Smith sends his reports to Mac. I was receiving

---

<sup>27</sup> DCFS Director McEwen.

copies from Mac, but the reports stop[ped] coming to me. The last report I received was in November [2006].”

Ms. Cannon was shown the fourth quarter FY 2009 “buckslip” authorizing the \$112,500<sup>28</sup> payment to DBCC for the Students at Risk program. She acknowledged that she signed the “buckslip” as certifying that the goods and services had been delivered. She also acknowledged knowing that the Program Monitor and supervisor, Kevin Walsh, had requested documents concerning DBCC’s delivery of services and that, as of July 2009, DBCC had not produced the requested documents. Despite being aware that Dr. Smith had not complied with Mr. Walsh’s request for documents, Ms. Cannon said she signed the FY 2009 “buckslip” because Frances Elbert, her supervisor, told her to sign and process the payment.

### ***5. Interview of DCFS Associate Deputy Director Frances Elbert***

On October 5, 2010 and February 24, 2011, investigators interviewed DCFS Associate Deputy Director for the Office of Education and Transition Services Agency Frances Elbert. Ms. Elbert supervised Business Manager Darlene Cannon, as well as Transition Services Managers Kevin Walsh and Kim Peck. Ms. Elbert stated that she assumed responsibility for monitoring DBCC’s Students at Risk grant in October 2008. She did not, however, assign it a supervisor until March 2009. Ms. Elbert stated that Ms. Cannon had been responsible for receiving and reviewing DBCC documentation to ensure that quarterly cost reports matched allotted funding. Ms. Elbert stated that vendors are “obligated to meet goals of the contract” and that vendor contracts with DCFS “do not provide guarantee funding, but rather vendors have to complete the work.” According to Ms. Elbert, Ms. Cannon’s duties did not require her to ensure vendors actually provided any services.

#### **a) Students at Risk—Monitoring Failures**

Ms. Elbert stated that she believed that prior to October 2008, DBCC’s Students at Risk grant had not been monitored. Ms. Elbert also said she was not provided with information relating to DBCC’s Students at Risk grant when she assumed her duties as Associate Deputy. According to Ms. Elbert, Ms. Cannon was receiving DBCC invoices directly from DBCC and was approving payment without program monitor approval. Ms. Elbert said that without a program monitor, there was no way DCFS could determine whether DBCC was providing services, and moreover it was unusual for a \$450,000 grant to not have a monitor assigned. Ms. Elbert stated that a \$450,000 grant was “an awful lot of money,” and that not monitoring the grant was “a dereliction of our responsibility.” Ms. Elbert stated that DCFS should have been monitoring the grant in order to make sure DCFS was “getting our money’s worth.”

Ms. Elbert was shown an e-mail dated March 12, 2009, at 5:13 p.m. which she had sent to DCFS employee Kevin Walsh and had copied Ms. Cannon with the “subject” line: “FW: DBCC – Outreach Advocacy Program.” The e-mail included various attachments relating to the FY 2010 DBCC Students at Risk contracts. In the body of the e-mail, Ms. Elbert wrote:

---

<sup>28</sup> The \$112,500 represented the fourth equal payment DBCC was to receive per the \$450,000 Students at Risk grant DCFS awarded DBCC in FY 2009.

Attached for your review are contracts [sic] I had a brief discussion with [sic] late this afternoon. No staff has been monitoring these contracts per Darlene therefore someone will need to conduct monitoring review at the earliest. Contact person for Diversified Behavioral Comprehensive Care is Diane Grant. Ken should be given this contract.

After reviewing this e-mail, Ms. Elbert confirmed that March 12, 2009, was the first time that she had become aware that the contract had not been monitored. In addition, Ms. Elbert stated that her subordinate, Ms. Cannon, had been receiving billings directly from grantees and that Ms. Cannon had been approving the billings "all the time" even though there was no contract monitor. According to Ms. Elbert, Ms. Cannon did not have her (Ms. Elbert's) authority to approve DBCC's \$112,500 FY 2009 fourth quarter payment.

Ms. Elbert was shown two e-mails dated April 10, 2009, from Kevin Walsh relating to Mr. Walsh's efforts to monitor the DBCC grants. Ms. Elbert indicated she was aware of Mr. Walsh's efforts to monitor the DBCC grant and recalled informing him to call Dr. Smith and request the information he needed. Ms. Elbert also recalled attending a meeting about the lack of response from Dr. Smith and in particular recalled issues relating to which schools DBCC was providing services. She recalled the fact that the schools DBCC was purportedly providing services did not have high populations of DCFS foster youth.

Ms. Elbert stated that it was important for program monitors to verify employee and consultant provider background information prior to allowing them to work with program youth. Ms. Elbert acknowledged that she was aware that DBCC had not provided documentation showing that it performed background checks on employees, but she did not inform Deputy Director Fitzgerald or any other manager about DBCC's failure to perform required background checks of consultants. She stated, "this makes me look crazy," "but I did not do anything."

Ms. Elbert acknowledged receiving a June 4, 2009, e-mail from Mr. Walsh at 3:47 p.m. indicating that Mr. Walsh required more documentation from DBCC to verify receipt of services. Ms. Elbert said that she responded to Mr. Walsh's e-mail at 3:49 p.m. that day and told Mr. Walsh to request the information again, and provide DBCC staff a deadline. On June 5, 2009, John Kasper, the Program Monitor, sent DBCC's Executive Director, Pleshette Hamb, an e-mail requesting certain information. Ms. Elbert stated she was unaware if the supporting documentation that Mr. Walsh and Mr. Kasper requested from DBCC was ever submitted.

#### b) DBCC's 2009 Fourth Quarter Cost Report

Ms. Elbert recalled attending a meeting prior to June 16, 2009<sup>29</sup> convened to discuss withholding DBCC's Students at Risk \$112,500 fourth quarter payment. The meeting was attended by John Kasper, Kevin Walsh, Darlene Cannon, and Deputy Director Daniel Fitzgerald. Ms. Elbert said she questioned whether it was appropriate to withhold DBCC's FY 2009 fourth quarter payment, because she thought the reason problems had arisen so late in the fiscal year was because DCFS had failed to properly monitor the DBCC contract. According to Ms. Elbert,

---

<sup>29</sup> In Illinois, the fiscal year begins July 1 and ends June 30 of the following year. Therefore, FY 2009 ended June 30, 2009. June 16, 2009 was the date on which Darlene Cannon signed the FY 2009 fourth quarter voucher for payment to DBCC.

since the lack of monitoring was DCFS's fault, she questioned whether it was "fair" that DCFS withhold DBCC's fourth quarter payment. Ms. Elbert stated that she does not recall any clear directives or statements from anyone relating to whether or not DBCC should receive its \$112,500 fourth quarter payment. Ms. Elbert stated that she did not approve the FY 2009 fourth quarter payment. According to Ms. Elbert, Ms. Cannon did not have her (Ms. Elbert's) authority to approve DBCC's \$112,500 FY 2009 fourth quarter payment. Ms. Elbert acknowledged, however, that Ms. Cannon had forwarded her an e-mail from DCFS employee John Kasper in July 2009 asking whether the fourth quarter payment had been made. In a reply e-mail, Ms. Elbert acknowledged that she had instructed Ms. Cannon to inform Mr. Kasper that payment had been made.

***6. Interview of DCFS Deputy Director, Division of Service Intervention Daniel Fitzgerald***

On November 10, 2010 and March 14, 2011, investigators interviewed DCFS Deputy Director, Division of Service Intervention Daniel Fitzgerald. Mr. Fitzgerald said he has been Deputy Director since October 1, 2008. Mr. Fitzgerald stated that as Deputy Director of the Division of Service Intervention, he is responsible for overseeing about 400 DCFS contracts and grants. Mr. Fitzgerald stated that when he became Deputy Director, he did not receive a list of grants for which his division was responsible and discovered the existence of DCFS contracts and grants under his supervision only via weekly meetings.

***a) Discovery of DBCC Grant and Restructuring of Division of Service Intervention***

Mr. Fitzgerald informed investigators that duties of grant or contract monitors include checking submitted monthly invoices, quarterly cost reports, and budgets to ensure invoices and cost reports "match-up" to the funds allocated to the grant or contract. In addition, contract monitors conduct site visits in order to, among other things, verify the grant's or contract's program plan is being followed. According to Mr. Fitzgerald, the goal of a site visit is to confirm services are being provided.

Mr. Fitzgerald indicated that he did not become aware of the DBCC Students at Risk grant until after his appointment and until after Mr. Walsh informed him that DBCC's grant "came from" DCFS Director McEwen's office, which Mr. Fitzgerald understood to mean that someone in the Director's office monitored the contract. Mr. Fitzgerald said, however, that he soon discovered that the DBCC Students at Risk grant was not being monitored and he was able to make that determination because the grant file did not contain any monitoring tools or assessments. Mr. Fitzgerald stated that he later learned that Ms. Elbert had waited five months before assigning DCFS employee Kevin Walsh (a Contract Supervisor) to monitor the Students at Risk contract.

Mr. Fitzgerald described recent restructuring changes that he made within his division (the Division of Service Intervention). According to Mr. Fitzgerald, Darlene Cannon and Kevin Walsh, who both previously reported to Frances Elbert, now report to him. Mr. Fitzgerald said that he changed the reporting structure because he wanted to ensure that weekly supervision meetings took place—no regular meetings occurred prior to the restructuring. Mr. Fitzgerald

also said that he changed the structure because he wanted to ensure that payment vouchers, or "buckslips" were timely completed. Mr. Fitzgerald indicated that the "buckslips" must contain two signatures. One signature verifies the "receipt of goods and services," and is typically signed by a program monitor. The second required signature is made by the responsible Deputy Director, to approve payment. As of October 2008, Mr. Fitzgerald was the Deputy Director responsible for the second signature on "buckslips" relating to DBCC's Students at Risk grant.

b) DBCC's FY 2009 Fourth Quarter Cost Report

Mr. Fitzgerald was shown copies of letters dated April 16, June 12, and June 24, 2009, that Kevin Walsh drafted and sent to Dr. Smith of DBCC. The three letters seek documents from DBCC. After reviewing the letters, Mr. Fitzgerald stated that he did not believe Dr. Smith ever submitted the requested documentation, and that he had issued an oral directive to DCFS staff that DBCC should *not* receive the fourth quarter \$112,500 payment until it complied with Mr. Walsh's document requests. He said that both Ms. Cannon and Ms. Elbert were aware of his directive.

Although DCFS never received the requested documentation from DBCC, Mr. Fitzgerald confirmed that he did approve and sign DBCC's \$112,500 FY 2009 fourth quarter voucher. Mr. Fitzgerald confirmed that his signature appeared on the second line of the "buckslip" authorizing the \$112,500 payment to DBCC. Mr. Fitzgerald also confirmed that Darlene Cannon's signature was on the first line of the form above the words "Receipt of Goods and Services" and that her signature certified that goods and services were received. According to Mr. Fitzgerald, it was inappropriate for Ms. Cannon to sign for the receipt of goods and services and that either John Kasper, the program monitor or his supervisor, Kevin Walsh, should have signed it. In response to why he approved and signed the "buckslip" even though he knew Ms. Cannon did not have authority to approve the \$112,500 payment, Mr. Fitzgerald stated, "I take full responsibility ... The approval was inadvertent ... not the signature, but the approval."

Mr. Fitzgerald stated that after DBCC received the fourth quarter payment for the FY 2009 Students at Risk grant, he delayed the execution of the FY 2010 DBCC Student at Risk grant agreement to allow DBCC time to provide documentation and for DCFS to make necessary Program Plan changes. Mr. Fitzgerald informed investigators that he did not do anything to recover the \$112,500 fourth quarter payment despite the fact that Dr. Smith never produced the requested documents relating to what, if any, services DBCC provided. Specifically, Mr. Fitzgerald stated, "we just focused on the Fiscal Year 2010 contract" and even though there were DCFS reconciliation procedures available, Mr. Fitzgerald never inquired about the process.

**B. Failure of DCFS to Re-Evaluate Youth Stabilization Program Expenses**

Ms. Donna Kazragis stated that in 2005, the Youth Stabilization Network (YSN) grant was added to her duties and responsibilities. According to Ms. Kazragis, under the YSN grant, DBCC was required to provide clinical assistance to children who resided at one of four stabilization centers. DBCC's grant also required them to conduct outreach services, staff training, maintain statistics related to the outcomes of the program, and provide crisis intervention.

Ms. Kazragis informed investigators of two issues with the YSN program. First, the grant amount (\$500,000) remained constant, even though the number of children eligible for benefits under the grant was significantly lower than what was contemplated when the program was initiated. Second, DBCC was seeking reimbursement for rent, even though the children were almost always serviced at their residences.

On November 29, 2010, OIG-DCFS investigators interviewed Ms. Hamb and asked her to identify the location where youth were provided services for the YSN grant. In response, Ms. Hamb said that therapist notes would show when a youth came to the DBCC facility and when they received services at another location. Investigators reviewed therapist notes and discovered that the vast majority of individual contacts were via telephone and in person at locations other than DBCC offices.

### *1. Reduction in Number of Youth DBCC Served*

As noted above, DBCC was awarded annual \$500,000 YSN grants in which DBCC was required to work with children from four residential stabilization centers. Ms. Kazragis noted that DCFS closed two of the four stabilization centers, one in 2005 and another in 2006. Closing the stabilization centers reduced by one half the number of youth serviced. Despite the 50% reduction, DBCC continued to receive the \$500,000 YSN grants annually from DCFS. Ms. Kazragis also indicated that although the YSN grant is still ongoing and she is identified as the contract monitor of the DCFS YSN grant, she has still never seen the grant agreement. Ms. Kazragis informed investigators that in October 2010 DCFS staff calculated the number of children DBCC served with YSN grant funds received during the second quarter of FY 2011 and concluded that DBCC was receiving payments equivalent to \$1,000 per hour.

In order to track services DBCC provided under the YSN program, DCFS staff created a "monthly reporting grid."<sup>30</sup> Ms. Kazragis said that she would review the DBCC reporting grid each month. A review of the monthly reporting grids for FYs 2008 and 2009 confirm that the amount of actual services that DBCC was providing under the YSN grant was significantly below what was originally contemplated when DBCC awarded the grant in 2006. According to Ms. Kazragis, the number of youth participating in the Youth Stabilization program dropped from its height of approximately 50 youth in 2006, to a monthly average of 27 youth in FY 2008, and 24 youth in FY 2009.

Ms. Kazragis did state that she had brought her concerns about the program reduction to her supervisor who informed her that he had spoken to Director McEwen who had directed them to "find more work for DBCC." Ms. Kazragis stated that she was told to find a way to increase DBCC's hours of service under the contract and that there were no plans to decrease the grant amount.

---

<sup>30</sup> The grid includes statistical activity for the following categories: 1) individual contact; 2) crisis intervention; 3) collateral contact; 4) educational; 5) group; 6) missed appointments; 7) outreach; 8) residential staffing; 9) phone contact; 10) DBCC staffing; 11) ACR; 12) transportation; 13) court; and 14) report writing. The monthly reporting grid does not distinguish the type of contact a therapist had with a ward (whether in person or via telephone), nor does it indicate the physical location of the contact.



## **X. DCFS DEPUTY DIRECTOR DR. CYNTHIA TATE'S DISCOVERIES**

DCFS administers youth outpatient psychiatry for its wards through a concept it refers to as Psychiatry for Adolescents and Children in Transition (PACT). In FYs 2009 and 2010, DCFS awarded DBCC PACT grants in the amounts of \$199,206 and \$217,100, respectively. The investigation revealed that DBCC was improperly prescribing medication to DCFS wards.

On June 10, 2010 and March 8, 2011, investigators interviewed DCFS Division of Clinical Services Deputy Director Dr. Cynthia Tate. Dr. Tate earned a Ph.D. from the State University of New York at Albany in the field of Clinical Psychology and has performed consulting work in the areas of Mental Health and Child Welfare for city and State agencies for numerous years.

Dr. Tate indicated that she was hired on November 16, 2009, to supervise the clinical operations of DCFS. She managed a staff of 19 psychologists, whose responsibilities were to oversee the psychiatric services offered to DCFS youth. Prior to her engagement, DCFS administered the PACT program at several PACT clinics throughout the State, but at the time of her appointment, DCFS funded only DBCC under a PACT grant.

### **A. Dr. Cynthia Tate's Initial Efforts to Monitor DBCC's PACT Grant**

Shortly after arriving at DCFS (in November 2009), Dr. Tate reviewed DBCC's FY 2010 \$217,100 PACT grant. Dr. Tate learned that DBCC's responsibilities under the grant were to provide psychiatric services, primarily medication management and evaluation, and she decided to conduct a DBCC site visit. In January or February 2010, Dr. Tate met with DBCC's Executive Director Pleshette Hamb and CEO Dr. Smith at the 1140 E. 87th Street facility. According to Dr. Tate, neither Ms. Hamb nor Dr. Smith gave her any documentation relating to services DBCC provided under the PACT grant. In addition, neither Ms. Hamb nor Dr. Smith took any notes during the meeting and neither was able to provide answers to any basic operational questions such as:

- where their referrals came from;
- how many children they see;
- how often they saw children;
- what occurred when DBCC stopped seeing the children; and
- the length of time DBCC saw the children.

Dr. Tate stated that Dr. Smith informed her that they would have to gather the requested information and "get back to her." According to Dr. Tate, the entire meeting lasted approximately 15 minutes. Dr. Tate then stated that after her initial meeting with Ms. Hamb and Dr. Smith, she waited for a long time to receive the requested documentation but that neither Ms. Hamb nor Dr. Smith provided the requested documents.

#### ***1. Prescribing Psychotropic Medication to Wards without Consent***

In March 2010, Dr. Tate received a telephone call from the DCFS Guardian's Office relating to a particular child, whom Dr. Tate later discovered DBCC was treating under the

PACT grant. The Guardian's Office informed Dr. Tate that the child had been prescribed psychotropic medication without the Guardian's consent.<sup>31</sup> Dr. Tate stated that after DCFS investigated the matter, it discovered that DBCC had not submitted any medication consent forms to DCFS for approximately three months, for what she estimated was approximately 90 DCFS wards, even though DBCC had continued prescribing the psychotropic medication.

## ***2. Discovery of a Lack of Consent Forms and Necessary Equipment***

Dr. Tate indicated that after the DCFS Guardian's Office contacted her, she contacted DBCC and learned that DBCC did not request consent from the DCFS Guardian because the DBCC clinic did not possess a scale to weigh the children.<sup>32</sup> Dr. Tate stated that DBCC also did not submit to her or to DCFS any records regarding the type of medication prescribed to children. According to Dr. Tate, she contacted Dr. Smith and explained her "outrage." In response, Dr. Smith informed her that he would obtain a scale, but did not respond to her other concerns.

Dr. Tate stated that on March 17, 2010, DCFS conducted another DBCC site visit and discovered additional problems. All persons involved in this site visit, including Dr. Smith and Ms. Hamb, agreed to create an action plan to resolve the newly discovered problems. The plan required DBCC to submit specific programmatic data on a monthly basis. Dr. Tate said that DBCC did not produce any of the requested documentation. As a result, Dr. Tate convened another meeting with Dr. Smith, Ms. Hamb and the two DCFS staff who conducted the site visit. The parties agreed on a future action plan. According to Dr. Tate, even though DBCC submitted some documents, there was never a month where they produced all information DCFS requested. In a letter dated June 11, 2010, Dr. Tate informed Dr. Smith that DCFS would not be approving payment to DBCC for the months of January, February and March 2010, because DBCC did not produce sufficient documentation to justify payment.

Dr. Tate indicated that she informed DCFS Director McEwen that she had asked Dr. Smith to produce documents. In response, Director McEwen informed Dr. Tate that he (Director McEwen) had instructed Dr. Smith to provide Dr. Tate with whatever she requested.

## ***3. Successful Termination of DBCC's PACT Grant***

Dr. Tate explained that she began to make plans to terminate the DBCC PACT grant and replace the PACT program, but because there were 90-plus DCFS wards receiving medication from DBCC, she was unable to terminate the grant immediately as she first wanted to find appropriate replacement care for the children. Dr. Tate stated that she had everything ready in FY 2011 and was able to ensure DBCC was not awarded a DCFS PACT grant for FY 2012. By

---

<sup>31</sup> DCFS Rules [Ill. Admin. Code tit. 89 § 325.30(b)] require that psychiatrists procure the DCFS Guardian's consent prior to prescribing and administering psychotropic medication to DCFS wards. Ill. Admin. Code tit. 89 § 325.40(f) requires the party requesting administration of psychotropic medication to receive from the guardian or authorized agent written confirmation of permission in writing within two days of making the request, and if unable to secure such written confirmation, to contact DCFS for help in securing it.

<sup>32</sup> Dr. Tate stated that psychiatrists are required to weigh children in order to determine the correct medical dosage to prescribe.

letter dated October 28, 2010 DCFS cancelled the DBCC PACT contract without cause to be effective December 31, 2010.

Dr. Tate stated that even though DCFS was not required to establish “cause” to terminate DBCC’s PACT grant, she had “plenty” of cause to terminate the grant. Dr. Tate indicated that the for-cause reasons included:

- DBCC’s failure to submit documentation;
- DBCC’s failure to engage appropriate psychiatrists;
- DBCC’s failure to weigh children before prescribing psychotropic medication;
- DBCC’s failure to secure guardians’ written consent for the administration of psychotropic medication to children; and,
- the fact that 94 of the 96 children DBCC was serving received the same diagnosis from DBCC doctors.

Dr. Tate stated that when she decided to terminate the DBCC grant, she presented it to Director McEwen. In response, Director McEwen told her to do what she felt was best.

## **XI. INTERVIEW OF DCFS DIRECTOR ERWIN McEWEN**

### **A. DCFS Director Erwin McEwen, Employment Background**

On February 17 and 28, 2011, investigators interviewed DCFS Director Erwin McEwen.<sup>33</sup> Director McEwen stated that he has been a State employee on two separate occasions. The first occasion was from November 1988 through 1991, when he was a DCFS Child Welfare Specialist II. After his initial State employment, Director McEwen was a Program Director for Jane Addams Hull House. Then, from 1994 through June 20, 2003, Director McEwen was Program Administrator at Lakeside Community Committee.

On June 20, 2003, Director McEwen started his second period of State employment. Director McEwen initially served as DCFS’s Deputy Director of Monitoring and Quality Assurance, which included monitoring DCFS vendors, such as DBCC. Specifically, Director McEwen was responsible for ensuring that vendors provided contracted services and that vendors followed DCFS rules and policies. Director McEwen said that he never received any formal training on how to monitor DCFS contracts. He held the Deputy Director position from June 2003 until November 2006.

In November 2006, former Governor Rod Blagojevich named then Deputy Director McEwen Acting DCFS Director. Director McEwen described his new duties as being responsible for the day-to-day operations of DCFS. Director McEwen said that he had a “sharp

---

<sup>33</sup> On February 28, 2011, Director McEwen was interviewed again. Director McEwen stated that he had spoken with Dr. Smith at a DCFS function after his February 17, 2011 interview and said that Dr. Smith asked him, “how’s it going?” In response, Director McEwen said he told Dr. Smith that he was the subject of an investigation and told Dr. Smith he could not talk about the case. Later in the interview, however, Director McEwen said that he did not talk to Dr. Smith about being a subject of the investigation. OIG-DCFS and OEIG investigators are not making a finding regarding Director McEwen’s actions in regards to the disclosure of this confidential investigation.

learning curve” after becoming DCFS Director. According to Director McEwen, “the first 13 months (as Acting Director of DCFS) [were] the hardest,” and that the period from November 17, 2006, to the present had been difficult.

#### **B. DCFS Director McEwen and Dr. Smith**

Director Erwin McEwen indicated that he has known Dr. Smith for “numerous” years and described Dr. Smith as a “personal friend and mentor.” Director McEwen said he has socialized with Dr. Smith, and that Dr. Smith has been to his personal residence.

Although Director McEwen knew Dr. Smith referred to himself as a “Dr.,” Director McEwen was unsure of the field in which Dr. Smith held his doctoral degree, but believed it was in educational consulting. Director McEwen described Dr. Smith’s area of expertise as “children, therapy, counseling, and education,” and believed that Dr. Smith had been doing that type of work for some time. Director McEwen said that he was aware Dr. Smith owned DBCC and MPI (Management Planning Institute), but was unaware of any other business interests, including any real estate business that Dr. Smith might own.

#### **C. DCFS Director McEwen’s Monitoring of the DBCC Students at Risk Grant**

Director McEwen stated that in 2009-2010, DCFS Deputy Director Daniel Fitzgerald was responsible for monitoring DBCC’s Students at Risk grant. Director McEwen stated that the Deputy Director’s role is to ensure the scope of services detailed in a Program Plan is followed, that the provider submits quarterly reports, and that services are beneficial to recipients.

Director McEwen said that he has reviewed several DBCC quarterly reports, but stated that he was not monitoring any grants after he became DCFS Director, because he had been told he could not monitor contracts. Director McEwen stated that in March 2006, when he was still a Deputy Director, he was responsible for monitoring DBCC’s FCRC grant. DBCC’s FCRC grant was one of the “fiscal agent” grants DBCC had been awarded. Director McEwen stated that he received and reviewed program reports from DBCC that indicated what services were provided and how many recipients received services. Director McEwen added that while he was monitoring DBCC, everything was satisfactory. Director McEwen also stated that when he became Acting DCFS Director in November 2006, he placed responsibility for monitoring the Students at Risk grant with Arthur Bishop, who was then Deputy Director of Operations.

Director McEwen was shown an e-mail dated April 25, 2006 that he had sent to DCFS employee Donna Kazragis. This e-mail indicates that Director McEwen and Arthur Bishop were monitoring the DBCC grants. After reviewing the e-mail, Director McEwen stated that although he wrote in the e-mail that he was monitoring the contract, in reality he “was truly not monitoring the contract.”

Director McEwen was then shown an e-mail dated March 8, 2007, from former DCFS Deputy Director Cynthia Moreno to Ken Broady. Investigators directed Director McEwen’s attention to the portion of the e-mail, which stated, “I met with the Director on Monday and he indicated that he will be the contract monitor for Diversified.” After being shown this e-mail, Director McEwen stated, “they have interpreted this wrong ... I tried to give this to them ... If

they had a problem then they should have flagged it.” Director McEwen stated that as DCFS Director he was attempting to develop programming, not monitor grants.

#### **D. DCFS Director McEwen and the Separation of Duties**

Director McEwen indicated that DCFS Deputy Directors recommend contracts, and that as DCFS Director he is responsible for approving contracts. Director McEwen was asked if he was aware of any policy or law prohibiting him as DCFS Director from approving and monitoring contracts. In response, Director McEwen stated there “may be some rule of separation,” and indicated that as DCFS Director he “can’t monitor contracts.” Director McEwen confirmed he was both the recommending and approving DCFS official with regard to DBCC’s Family Advocacy Center grants, i.e., the “fiscal agent” grants.

Director McEwen was shown a March 9, 2007 e-mail from former DCFS Chief Financial Officer Barbara Piwowski. In the e-mail, Ms. Piwowski informs Director McEwen that being the recommending authority for the contract, contract monitor, and approval authority is a potential conflict of interest. In response to Ms. Piwowski’s e-mail, Director McEwen copied Cynthia Moreno and wrote, “I understand. Cynthia [Moreno] read Barb’s e-mail below; because of her concerns your division will have to monitor these contracts. I would prefer you do the recommending also.” Director McEwen stated that prior to receiving Ms. Piwowski’s e-mail he was the contract monitor. He said he had expected DCFS’s Division of Service Intervention to monitor the contracts thereafter. Director McEwen indicated that he did not understand the conflict of interest prior to receiving Ms. Piwowski’s e-mail, but understood it after seeing Ms. Piwowski’s e-mail.

#### **E. DCFS Director McEwen and the Monitoring of FCRC Grants**

Director McEwen was asked about his responsibilities overseeing DBCC’s contract by which it acted as a fiscal agent for FCRC. Director McEwen said that he only performed cursory checks of DBCC, which included ensuring the 501(c)(3)<sup>34</sup> was established and making an unannounced office visit. Director McEwen stated that he did recall seeing FCRC staff provide services to clients during an unannounced office visit.

Director McEwen also stated that he made sure DBCC received its quarterly grant payments and stated that, “nobody looked at the financial aspect of this contract [,] and I should have.” Director McEwen then said, “I did the best I could on this contract; it was dumped in my lap.”

Director McEwen was asked about the \$592,230 budget for the FCRC grant and whether he thought the grant amount was appropriate. In response, Director McEwen stated, “I thought it was appropriate, the quarterly reports matched the contract’s funding amounts. They had a staff of 5-6 employees, but I did think they had too much office space.” Director McEwen was asked if he thought [FCRC Official] [title redacted] had the means to operate his own contract without a “fiscal agent.” In response, Dr. McEwen stated that he relied on DCFS employee [DCFS

---

<sup>34</sup> The federal charitable tax exemption.

Employee #1] judgment, and according to [DCFS Employee #1], [FCRC Official] was not capable of running FCRC without a “fiscal agent.”

Director McEwen was shown the annual \$433,395 FCRC budget DBCC had provided to FCRC staff. Director McEwen was asked if he was able to explain the \$158,835 difference between the \$433,395 budget DBCC gave to FCRC and the \$592,230 budget DBCC presented to DCFS. In response, Director McEwen stated, “we did not do a good job of monitoring this contract. My people did not do their job.”

Director McEwen said he was surprised that the difference between the two contracts exceeded what he understood was a 15% fiscal agent fee, and agreed that the fiscal agent fee should have been categorized as an administrative expense. Director McEwen also stated that DCFS’s contract staff put the contract together and that he did not “read it,”<sup>35</sup> because that was the contract staff’s responsibility.

#### **F. DCFS Director McEwen’s Knowledge of DCFS Grant Monitoring and Process**

Director McEwen was asked about the earlier monitoring of certain DBCC grants. Director McEwen was shown an e-mail dated March 19, 2007 from Ken Broady to Kim Peck. The e-mail indicates that Mr. Broady was concerned about his involvement and monitoring of DBCC’s Students at Risk grant. After viewing the e-mail, Director McEwen stated that he was unaware of Mr. Broady’s level of training and said that former Deputy Director Cynthia Moreno should have been monitoring the grant. If Mr. Broady could not handle the grant, someone else should have been brought in to handle the grant.

Director McEwen stated, “when I was given the Acting Director position, I was sure I was going to return to my previous position, so I never replaced myself [as monitor].” Director McEwen was asked if grant monitoring had two parts: Programming and Financial, and in response stated:

- “I don’t know the entire process on how contracts move from start to the beginning of service;” and
- “I rely on the DCFS general counsel’s assistance and the DCFS budget and finance section for assistance.”

Director McEwen was asked what procedures DCFS had in place to ensure a program plan is executed. In response, he stated he “did not know.” Nonetheless, Director McEwen stated it was unacceptable for a vendor to not produce documents that DCFS staff requested.

Director McEwen was then asked if he discussed DBCC’s FCRC program plan prior to signing the grant agreement. Director McEwen responded:

- “I don’t read contracts thoroughly prior to signing them;”
- “I expect legal, budget & finance, and contract administration to review the contracts;”

---

<sup>35</sup> Director McEwen did, however, sign the contract.

- "I look at them broadly;" and
- "I have a basic knowledge."

Director McEwen was shown a copy of DBCC's FY 2009 Students at Risk grant. Director McEwen said that he was unaware of who at DCFS was the grant monitor on the \$450,000 Students at Risk grant and added, "I am surprised that nobody was monitoring ... it should have been in Service Intervention."

Director McEwen was shown Kevin Walsh's September 1, 2009 memorandum to Deputy Director Fitzgerald. Director McEwen was asked if he knew that Mr. Walsh had issues with DBCC's grant and with Dr. Smith's lack of responsiveness. Director McEwen stated that he did not recall if he was told that there were issues. Director McEwen also stated that he did not know whether DBCC was paid under this grant and stated that he had no knowledge of this grant.

Director McEwen was asked if he ever questions his staff about problems or issues they encounter with particular vendors prior to renewing a grant to the vendor for another fiscal year. Director McEwen stated, "I don't know... I reference decision memorandums from the deputies." Director McEwen explained that a decision memorandum would accompany a contract on its first year of existence, but he did not know if each additional year required one. Director McEwen was asked what he considered prior to renewing DBCC's DCFS grants. In response, Director McEwen remarked, "when things come to my attention I alter my thinking." Director McEwen was asked if performance plays a role in a grant renewal and in response stated, "yes, performance matters. ... I rely on deputies to give input and no deputy brought any issues to my attention." Director McEwen was asked if the ultimate responsibility falls on the DCFS Director. In response, Director McEwen stated, "Yes, but I have to rely on my staff."

#### **G. DCFS Director McEwen's Reason For Approving DBCC's PACT Grant**

Director McEwen was shown a set of documents dated October 28, 2010, that terminated DBCC's PACT grant. Director McEwen stated that he did recall this set of documents and said, "I decided to terminate this contract," that Dr. Tate "had concerns about the services provided under the contract." Director McEwen also stated that he was informed of the issues during a weekly meeting with Dr. Tate and that he assigned DCFS employee Denise Murray to look into Dr. Tate's issues.

Director McEwen stated that DCFS former employee Velma Williams initiated the PACT contract with DBCC and, because Ms. Williams had been "rumored" to be the next DCFS Director, he approved Dr. Smith as the provider of the PACT program, even though he did not think DBCC was suitable. Director McEwen stated that Ms. Williams explained to him that DBCC could make the PACT program work, so he accepted her judgment and said he did not want to cause "any waves" between himself and Ms. Williams in the event that Ms. Williams was appointed DCFS Director.

## **XII. DCFS TERMINATES ALL DBCC GRANTS AND SEEKS REIMBURSEMENT**

### **A. DCFS Terminates DBCC's Grants**

On March 15, 2011, less than one month after DCFS Director Erwin McEwen was interviewed by investigators for the second time, DCFS exercised its right to terminate all FY 2011 DBCC grants. The grant terminations were to be effective April 18, 2011, nearly 10 months into FY 2011 and after DCFS had already paid DBCC hundreds of thousands of dollars in grant funds. Director McEwen signed the March 15, 2011 DBCC termination letter.

#### **1. *Interview of DCFS Reimbursement Specialist Janet McKeown***

On April 25, 2011, investigators interviewed DCFS Office of Budget and Finance Reimbursement Specialist Janet McKeown. Ms. McKeown stated that her main responsibility is developing "excess revenue" determinations, and that she completes approximately 200 excess revenue determinations annually. Ms. McKeown said that an excess revenue determination is typically supposed to be made during the third quarter expenditure report process of a vendor's grant. The calculation is made during the third quarter so that DCFS can adjust (reduce) the vendor's fourth quarter payment, if necessary.

Ms. McKeown stated that all DCFS vendors under contract who receive funding in excess of \$150,000 are required to submit an independent annual audit, to ensure the vendor is spending funds appropriately. According to Ms. McKeown, every independent audit includes a Consolidated Financial Report (CFR) that identifies provider cost for every contract. Ms. McKeown uses CFR data to calculate "excess revenue" which is calculated as follows: total reported revenue listed, less net expenses on the cost schedule, less any cost above the 25% fringe benefits, less any cost above the 20% administrative schedule. Ms. McKeown added that this formula generates a figure which would reflect either excess revenue expenditures or a loss. Ms. McKeown stated if it is determined that a vendor obtained excess revenue, then DCFS requests the excess revenue be refunded to DCFS.

#### **a) DCFS's January 12, 2011, Excess Revenue Determination**

Ms. McKeown was shown a DCFS letter dated January 12, 2011 from DCFS Chief Financial Officer (CFO) Robert Stanek that was mailed to Dr. George E. Smith. Ms. McKeown stated that she was familiar with this letter and that it was informing Dr. Smith that there had been an excess revenue determination in the amount of \$284,321 relating to DBCC YSN/CAYIT \$911,600 FY 2007 contract. Ms. McKeown estimated that she calculated the YSN/CAYIT excess revenue determination just prior to November 2009 but that the letter had not been mailed to Dr. Smith until January 2011, in part, because of a backlog. Ms. McKeown stated that her unit is "years behind" on conducting excess revenue determinations because of a staffing shortage and high volume.

#### **b) DCFS's April 6, 2011, Excess Revenue Determination**

On April 6, 2011, via correspondence, CFO Robert Stanek informed DBCC that DCFS had "identified that DBCC program revenues exceeded program expenditures by \$846,436."



The April 6, 2011 letter identified excess program expenditures going back to FY 2006 DBCC grants.

Ms. McKeown stated that an excess revenue determination had been conducted for all DBCC contracts for FYs 2006 through 2010. According to Ms. McKeown, it was unusual for her office to complete an excess revenue determination of this size because it included so many contracts over an extended period of time. Ms. McKeown said that she had been instructed to compile this excess revenue determination after DCFS terminated all of DBCC's contracts but that it is not normally her responsibility to make excess revenue determinations on these types of contracts. Ms. McKeown confirmed that DBCC had excess revenue of \$846,436 for the entirety of their contracts (excluding YSN/CAYIT FY 2007) from 2006 through 2010.<sup>36</sup>

## ***2. Interview of DCFS Chief Financial Officer Robert Stanek***

On May 6, 2011, investigators interviewed DCFS CFO Robert Stanek. Mr. Stanek stated that he has been DCFS's CFO since April 11, 2010. Mr. Stanek described his CFO duties and responsibilities as, among other things, overseeing the DCFS budget, contracts, and office services.

Mr. Stanek said that he first learned of DBCC approximately five weeks prior to his interview when DCFS decided to sever its relationship with DBCC. According to Mr. Stanek, DBCC is a DCFS provider that he described as being a "financial agent" providing administrative services to other providers who render services to DCFS wards. Mr. Stanek was unaware that DBCC was also a DCFS service provider.

### ***a) DCFS's Payment of DBCC's \$112,500 Voucher Form***

Mr. Stanek informed investigators that DCFS disburses grant payments to providers on a quarterly basis. Payments are based on a document titled "Department of Children and Family Services Payment Voucher Authorization" form (Voucher Form).<sup>37</sup> According to Mr. Stanek, Voucher Forms represent services providers render to DCFS. The signature above line 19 of the Voucher Form, titled "Receipt of Goods and Services," represents that DCFS has received the services. According to Mr. Stanek, either a DCFS Deputy Director or a "point person" under the Deputy Director is responsible for signing above line 19 of the Voucher Form—so long as the person signing has credible knowledge that services were rendered.

Mr. Stanek reviewed a copy of the \$112,500 DCFS Voucher Form for DBCC's FY 2009 fourth quarter Students at Risk grant reflecting the signature of DCFS Business Manager Darlene Cannon. Mr. Stanek said that he did not know Ms. Cannon, but noted that her signature above line 19 of the Voucher Form represented that DCFS received the goods or services for which DBCC was seeking payment.

<sup>36</sup> In other words, DCFS paid DBCC \$846,436 more than DBCC could prove that it provided in services to DCFS.

<sup>37</sup> The Voucher Form is the form other witnesses referred to as "buckslips."

b) DCFS's Third Quarter Reconciliations and Excess Revenue Determinations

Mr. Stanek stated that DCFS staff performs grant reconciliations during the third quarter of the grant's fiscal year. During the reconciliation process, DCFS program staff analyzes grant documentation so that they can determine if a provider performed sufficient services to justify full fourth quarter payment. According to Mr. Stanek, if during the third quarter reconciliation process, DCFS staff discovers that a provider (vendor/grantee) will spend less than the total grant amount, then the provider's fourth quarter payment amount is reduced accordingly. Mr. Stanek stated that if every DCFS grant underwent a third quarter reconciliation then a provider's fourth quarter payment would be adjusted (reduced if necessary), thus making it unnecessary to ever conduct what are referred to as "excess revenue determinations."

An excess revenue determination is an accounting procedure that DCFS staff calculate. Mr. Stanek stated that if a provider spends less than the amount paid to it by DCFS, then this creates the potential for an excess revenue determination, which would obligate the provider to return the excess funds to the State. Excess revenue determinations only apply to grant contracts and not fee for service contracts, because in a fee for service contract the provider has to establish that it has performed the services prior to being paid.

According to Mr. Stanek, it is common for DCFS to perform excess revenue determinations several years after a fiscal year. Mr. Stanek stated that DCFS has a standard timeframe for which an excess revenue determination is to be completed, but could not recall the timeframe. Mr. Stanek believed that excess revenue determinations were conducted less than two or three years in arrears. According to Mr. Stanek, the average unrecoverable excess revenue determination for *all* DCFS grants awarded during an entire year has averaged about \$150,000 per year. Mr. Stanek stated that when he began at DCFS, he had been assured that all third quarter reconciliations had been performed. It was not until April 2011 that he became aware that DBCC had not undergone any third quarter reconciliations.

c) DBCC's Excess Revenue Determinations and Scheduled DCFS Audit

Mr. Stanek was shown a letter dated January 12, 2011, which he signed, and was asked to explain what it represented. In response, Mr. Stanek stated that it was a \$284,321 excess revenue determination DCFS issued to DBCC for a FY 2007 grant DBCC was awarded. Mr. Stanek stated that the amount of the excess revenue determination (\$284,321) was not normal, was very high, and if unrecovered would greatly exceed the average \$150,000 unrecoverable excess revenue determinations DCFS issued on any particular fiscal year. In addition, Mr. Stanek stated that his January 12, 2011 letter asked DBCC why it should not be required to return \$284,321 of the \$984,777 that DBCC had received to the State of Illinois. Mr. Stanek indicated that he was unsure how much, if any, of the \$284,321 in excess revenue DBCC received would be refunded to the State.

Mr. Stanek was then shown a letter dated April 6, 2011, which he had also signed and was asked to explain what this letter represented. In response, Mr. Stanek stated that this letter also represented an excess revenue determination relating to DBCC. According to Mr. Stanek, this excess revenue determination letter encompassed grants DBCC had been awarded for the years ending June 30, 2006, through June 30, 2010. Mr. Stanek said that this letter was

requesting DBCC repay the State excess revenue it received amounting to \$846,436. Mr. Stanek indicated that, as with the prior \$284,321 excess revenue determination, the \$846,436 excess revenue determination also exceeded the average \$150,000 excess revenue determination DCFS issued for *all* grants on any particular fiscal year, and he was unsure how much, if any, of the \$846,436 in excess revenue DBCC received would be refunded to the State of Illinois.

Mr. Stanek stated that he has implemented a new procedure in which DCFS's Division of Budget and Finance will be required to submit a quarterly reconciliation certification for every quarter during the life of the grant. Mr. Stanek stated that this policy was implemented sometime around April 15, 2011, by him, and the first set of reconciliations are expected to be submitted on May 16, 2011. According to Mr. Stanek, this policy was implemented as a result of the "DBCC situation."

Finally, Mr. Stanek informed investigators that his staff had recently communicated with Dr. Smith in order to schedule an audit of DBCC and that on May 16, 2011, DCFS internal auditors intended to begin an audit on DBCC. Mr. Stanek informed investigators that DCFS auditors will look at all DBCC funding sources for common programs and inquire as to how funds were allocated to DCFS specific grants.

### **XIII. CHICAGO STATE UNIVERSITY MONITORING OF IPCFD GRANT**

In FY 2009, the City of Chicago awarded Chicago State University (CSU) a \$1,000,000 grant to administer Federal Head Start and Early Head Start Program services. On January 12, 2009, CSU sub-granted \$950,000 of the \$1,000,000 grant to the Institute for Positive Child and Family Development (IPCFD). The grant and sub-grant required CSU and ultimately the IPCFD to provide Head Start Support Services.

#### **A. Failure to Monitor the Grant**

##### ***1. Interview of Angela Hopgood-Miller***

On February 15, 2011, investigators interviewed CSU Grants and Contract Coordinator Angela Hopgood-Miller. Ms. Hopgood-Miller said that she has worked under the supervision of former CSU Associate Vice President for Sponsored Programs Dr. Ken Koroma. On May 10, 2010, she assumed the role of Principal Investigator for the contract/grant CSU had awarded to the IPCFD.

Ms. Hopgood-Miller stated that she was unaware of the role CSU had in relation to the IPCFD grant and understood her responsibilities under the grant were to receive invoices from Dr. Smith and then forward them to the City of Chicago for payment. Ms. Hopgood-Miller stated that she did not read the contents of the invoices and was unaware if any services for which the IPCFD was seeking payment were actually provided.

Ms. Hopgood-Miller stated that she had recently communicated with Dr. Koroma regarding a past-due "In Kind" report which the City of Chicago was requesting. Ms. Hopgood-Miller understood an "In-Kind" report as a document identifying matching funds the IPCFD was required to supply under the terms of the grant contract between CSU and the City of Chicago. Apparently, the City of Chicago was requesting the "In Kind" report because it had not been

submitted. Ms. Hopgood-Miller informed investigators that she contacted Dr. Koroma for assistance in obtaining the IPCFD's "In-Kind" report.

## ***2. Interview of Former Associate Vice President, Sponsored Programs Dr. Ken Koroma***

On February 15, 2011, investigators interviewed former CSU Associate Vice President for Sponsored Programs Dr. Ken Koroma. Dr. Koroma stated that he supervised all federal, state, city, and private business contracts.

Dr. Koroma said that he knew Dr. Smith as IPCFD Chief Financial Officer. Dr. Koroma stated that he had no role in selecting the IPCFD or Dr. Smith as the recipient of a \$950,000 grant fund. According to Dr. Koroma, CSU was a "pass through" agency. Dr. Koroma said he managed "pass through" grants, which he described as grants funded from the federal government or the City of Chicago that literally pass through to a vendor or subcontractor of CSU.

Dr. Koroma stated that the grant CSU awarded to the IPCFD was for \$950,000 and that he was not the Project Director even though his name was listed as such on the grant contract. Dr. Koroma stated the IPCFD grant was unique and that the burden of monitoring the grant fell on the City of Chicago. According to Dr. Koroma, CSU's only role was to collect invoices and request payment from the City of Chicago. In any event, Dr. Koroma confirmed that although he signed the IPCFD invoices, he never verified if any services reflected on the IPCFD invoices matched the work plan or were actually delivered.

Dr. Koroma stated that in late 2010, Ms. Hopgood-Miller contacted him because the IPCFD had not submitted its "In-Kind" report. Dr. Koroma stated that he contacted Dr. Smith personally and requested the report, but that Dr. Smith did not produce the report. Dr. Koroma said that he was told by Dr. Smith that he would submit his "In-Kind" report.

## ***3. Interview of CSU Interim Associate Vice President for the Office of Grants and Research Administration Dr. Yvonne Harris***

On February 15, 2011, investigators interviewed CSU Interim Associate Vice President for the Office of Grants and Research Administration Dr. Yvonne Harris. Dr. Harris was shown a copy of a document titled, "Chicago Department of Family & Support Services Head-Start Support Services Contracts Non-Federal Share (In-Kind) Cost Report." The "In-Kind" report had been faxed to CSU by Dr. Smith and related to "In-Kind" contributions the IPCFD allegedly made. Specifically, the "In-Kind" cost report identified CSU as the delegate agency and reflected \$53,000 as "non-Federal share expenses." The "In-Kind" report also contained an "Agency Certification for non-Federal Share Expenses," which contained the following language:

*I certify, as an officer of this agency, that this in-kind report represents documented in-kind goods and or services in conformance with Head Start regulations and that the documentation is on file and will be available for audit or review.*

Below the above certification was Dr. Harris's signature. Dr. Harris was asked if the certification was true and whether she had "In-Kind" documentation as reflected in the certification. In response, Dr. Harris stated that she *did not* have any "In-Kind" documentation, and that she signed the documents knowing it was not true because the City of Chicago explained to her that if CSU did not produce an "In-Kind" report, it would jeopardize future CSU funding.

#### ***4. Interview of the [City of Chicago Manager]***

On February 16, 2011, investigators interviewed [City of Chicago Manager]. [City of Chicago Manager] stated that the Chicago Department of Human Services provides Head Start grant to various universities and non-profit organizations throughout the city. [City of Chicago Manager] said that the City of Chicago entered into a grants agreement with CSU for Head Start support services.

[City of Chicago Manager] stated that every grant issued by the Chicago Department of Human Services requires the grant vendor to make an "In-Kind" contribution. [City of Chicago Manager] explained that an "In-Kind" contribution is the matching dollar amount the delegate agency (such as CSU) must produce to fulfill the terms of a grant. [City of Chicago Manager] said that the normal percentage required for the "In-Kind" match is 33%. [City of Chicago Manager] was shown a copy of an "In-Kind" report submitted by the IPCFD, and said that this was the "In-Kind" report CSU submitted.

#### ***5. Interview of City of Chicago Deputy Commissioner of Family Support Services Vanessa Rich***

On March 18, 2011, investigators interviewed the City of Chicago's Deputy Commissioner of Family and Support Services Vanessa Rich. Ms. Rich stated that she is familiar with DBCC and has known Dr. George Smith for years. Ms. Rich stated that Dr. Smith's area of expertise is as a mental health provider and in Head Start training.

Ms. Rich stated that she knew Dr. Smith owned the IPCFD and that he has the contract to perform Head Start program training. According to Ms. Rich, the IPCFD provides Head Start services as a subcontractor to CSU. Ms. Rich also said that she was aware Dr. Smith received an additional grant from the City of Chicago to do the same type of work. One grant awarded to Dr. Smith was administered by CSU, and the other was a direct grant the City of Chicago awarded to DBCC. Ms. Rich, however, stated that she is unfamiliar with the entirety of the two contracts, because her focus is on the "scope of services," and she is mainly concerned with the final product.

Ms. Rich was then shown a copy of the contract between the City of Chicago and DBCC for the same fiscal year, FY 2009 as the grant between CSU and the IPCFD. Ms. Rich stated that the IPCFD and DBCC contracts do not perform overlapping services related to Head Start. When asked how non-overlapping services could be verified, Ms. Rich stated that the City of Chicago Director of Program Services is diligent about ensuring overlapping does not occur.

Ms. Rich was shown a document titled "Non-Federal Share In-Kind cost report." Ms. Rich stated that Head Start funding comes to the City of Chicago through the federal government

and requires a 25%, total “In-Kind” services match from the City of Chicago. According to Ms. Rich, the federal government requires the City of Chicago to submit “In-Kind” contributions from grantees equal to 25% but that the City of Chicago requests 33% rather than 25% from its grantees because many providers cannot afford to contribute that much. Ms. Rich added that typically, “In-Kind” services are not required from support service grantees, because services they provide are not easily quantifiable. However, Ms. Rich stated that grantees are not punished if they are unable to provide the 33% “In-Kind” contribution.

Ms. Rich was shown a document titled “Budget Summary Form” and confirmed that it was the budget summary for DBCC’s contract with the City of Chicago. Ms. Rich stated that she did not know the extent of “In-Kind” money DBCC contributed. Investigators showed Ms. Rich an email that stated that DBCC had not provided any “In-Kind” services for fiscal years 2005 through 2010. After reviewing the email, Ms. Rich stated that it was “ok” for DBCC to not provide “In-Kind” services, and that if the City of Chicago does not obtain 25% from its grantees then it has to pay the federal government the difference.

Ms. Rich was asked if she has ever identified any questionable billing submitted by Dr. Smith or his business entities and responded, “No.” According to Ms. Rich, Dr. Smith has an impeccable reputation in the community and recalled Dr. Smith asking her if she wanted to take her son to a Chicago White Sox game, but she declined his offer.

#### **XIV. DCEO GRANT AWARDED TO DR. SMITH**

In FY 2010, the Illinois Department of Commerce and Economic Opportunity (DCEO) oversaw a \$450,000 legislative initiative member grant awarded to DBCC. The grant required DBCC to provide student support services.

##### **A. Interview of DCEO Manager of Accountability Program Shelly Banks**

On March 14, 2011, investigators interviewed DCEO Manager of the Accountability Program Shelly Banks. Ms. Banks described her duties and responsibilities as monitoring grantees to ensure compliance with the grants. As a manager, Ms. Banks also supervises grant monitors responsible for monitoring both fiscal and programmatic aspects of a grant. The fiscal aspect of grant monitoring requires monitors to review expenditures and make certain there is supporting documentation. In so doing, they review invoices, receipts and canceled checks. The programmatic aspect of grant monitoring requires monitors to review sign-in sheets and class rosters, verify program standards and make note of grant progress.

Ms. Banks stated that DCEO is overseeing a two-year \$450,000 grant that DBCC was awarded in FY 2010. The grant required DBCC to provide counseling and tutoring to children attending Chicago Public Schools. The grant was a legislative member initiative grant which DCEO was to administer and oversee. According to Ms. Banks, a legislative member initiative grant is one wherein a vendor, such as DBCC, requests funding from a legislator, who then obtains State funds through the legislative process. If a legislator obtains funding for a particular vendor and the grant is given to DCEO to oversee, DCEO sends the vendor a survey, which is intended to obtain information about the scope of the services the vendor intends to offer, as well as related budget information.

Ms. Banks indicated that the DBCC grant was for a two-year fiscal period to begin July 1, 2009, and extend through June 30, 2011 (FYs 2010 and 2011). The DBCC grant agreement, however, was not executed until May 21, 2010, which Ms. Banks described as unusual, because it resulted in DBCC receiving the entire \$450,000 in one lump sum when the agreement was executed. Ms. Banks indicated that DCEO provided the entire grant amount to DBCC because the grant was funded with FY 2010 funds and FY 2010 ended June 30, 2010.<sup>38</sup> Ms. Banks noted that DBCC did not seek an extension to actually perform the work under the two-year grant, even though the grant agreement was executed nearly eleven months after the start date contained in the agreement.

#### **B. DCEO Monitors DBCC's \$450,000 Counseling and Tutoring Grant**

Ms. Banks indicated that one of DCEO's grant monitors was assigned to monitor the DBCC grant. Ms. Banks stated that DCEO began monitoring the DBCC grant in October 2010, and scheduled a DBCC site visit for November 3, 2010, to review DBCC documentation. On November 3, 2010, Ms. Banks and a grant monitor met with DBCC's CEO Dr. Smith and DBCC employee Diane Grant. According to Ms. Banks, the meeting was very short because DBCC did not have any of the documents previously requested by DCEO. At the meeting, Dr. Smith informed Ms. Banks that he would submit the requested documentation one hour after the meeting. Ms. Banks departed, but never received the promised documentation. Dr. Smith subsequently produced documents, but Ms. Banks found them to be "very questionable."

Ms. Banks identified numerous issues with the scope of services DBCC purportedly provided. First, DBCC indicated that certain DBCC employees (Carolyn Sain and Dr. Marshana Smith) provided services under the grant. However, Dr. George Smith produced inconsistent payroll forms and documents with numerous discrepancies for these employees. In addition, DBCC payroll register records did not match daily time sheets for the employees (Ms. Sain or Dr. Smith).

Second, DBCC was requesting DCEO to reimburse it for 100% of Ms. Sain's medical coverage, even though the employee (Ms. Sain) was only spending 65.94% of her time on the DCEO grant.

Third, Ms. Banks indicated that she requested documentation supporting the tutoring sessions and counseling sessions purportedly provided with DCEO grant funds. However, DBCC never submitted documentation. DBCC did provide some documentation related to consultants who provided services, but DBCC failed to produce supporting documents for two of the three payroll checks a particular consultant was reported to have received.

Fourth, DBCC quarterly reports submitted to DCEO were also problematic. For example, in the January 5, 2011 quarterly report DBCC submitted to DCEO for the period of July 1, 2010 through September 30, 2010, DBCC sought payment of \$26,108.97. In the second DBCC quarterly report submitted on January 25, 2011, which covered the time period of October 1 through December 31, 2010, DBCC sought payment of \$40,658.70. A review of the line items titled "Contractual/Consultant" in the first quarterly report revealed a payment DBCC made for

<sup>38</sup> DBCC received \$450,000 on December 14, 2010.

\$1,367 of services a consultant provided. However, a review of the second quarterly report included an \$18,588 charge for “Contractual/Consultant” work for which DBCC never submitted any documentation.

Fifth, DBCC submitted documents indicating they took students to a college fair in the Washington D.C. area. Ms. Banks requested DBCC produce documentation related to the trip to Washington D.C. and received documents that she described as having “issues.” For example, Ms. Banks indicated that DBCC represented it hired a consultant called Better Life For Youth to provide the service for the college tour. However, Ms. Banks informed investigators that Better Life For Youth is “locked up” in DCEO, which means that Better Life for Youth is not allowed to do business with DCEO. Ms. Banks indicated that she was unaware until January 5, 2011, that DBCC used Better Life For Youth.

Ms. Banks also said DBCC produced a “stack” of receipts for expenses regarding the Washington D.C. college trip, which included items that are not allowed to be purchased under the terms of the DCEO grant, including:

- **Liquor.** Examples include a December 27, 2009 receipt for TGI Friday’s at 153 East Erie Street that included three Ultimate Strawberry Daiquiris, one made with Captain Morgan’s Rum.
- **Office Printers.** Examples include a November 2, 2009 receipt from a Staples at 1300 N. Ashland Avenue for a SPLS Canon L50 printer for \$156.99 and a December 17, 2009 receipt from the same location for an HP OfficeJet 8500 printer for \$169.97.
- **Cable Television Bills.** Examples include a December 28, 2009 Comcast Cable Bill for subscriber “Youth Lives Saving” for \$124.00, and a January 27, 2010 bill for the same subscriber.
- **Money Orders.** An example is a December 14, 2009 receipt from a post office at 4222 W. Madison, Chicago, IL.

DCEO never approved the purchase of any of the above listed items.

Sixth, Ms. Banks stated that DCEO was only able to identify 4 of 80 youth DBCC claimed to have transported to Washington D.C.

Seventh, Ms. Banks stated that DBCC submitted documentation indicating that it was paying \$2,500 in rent for the location at 1140 East 87th Street,<sup>39</sup> Chicago, IL, even though the DBCC address in the grant documentation listed 11070 South Western Avenue. In addition, a separate DCEO grantee (Rehab and Rebuild Foundation, CEO Donavan Robertson) submitted expenditures revealing that they too rented space at 1140 East 87th Street for which they paid Dr. Smith. According to Ms. Banks, DCEO learned Mr. Robertson was a member of DBCC’s board

---

<sup>39</sup> See *supra* at VII.(A) for a further discussion of rental payments DBCC allegedly made.



of directors and believed DCEO was being billed for the entire rental amount and, thus, Dr. Smith may have received duplicate payments for use of the same space.

**C. DCEO Suspends DBCC and Recovers \$356,000 in Grant Funds**

On December 20, 2010, as a result of the numerous deficiencies disclosed during DCEO's monitoring of DBCC's \$450,000 Student Support Services grant, DCEO suspended DBCC. The suspension meant that DBCC could not perform any grant activities and could no longer spend grant funds.

On January 19, 2011, DBCC's grant was formally terminated. Ms. Banks explained that DCEO may terminate a grant when the grantee does not comply with the terms of the grant agreement, has major problems with the service terms of the grant, and no resolution can be reached. DBCC agreed to refund \$356,000 of the grant funds previously received. According to Ms. Banks, DCEO's legal department is attempting to determine what, if any, services DBCC did provide that would entitle DBCC to retain the remaining \$94,000 of the \$450,000 in grant funds.

**XV. WITNESSES' NON-COOPERATION**

**A. Dr. Smith and Ms. Hamb Initially Meet with OIG-DCFS Investigators**

On November 29, 2010, OIG-DCFS investigators interviewed Dr. Smith and Pleshette Hamb on a variety of subjects. Below is a summary of the subject areas Dr. Smith and Ms. Hamb were questioned about as well as their responses on that date.

***1. Illinois Charitable Organization Annual Reports (Form AG990-IL) 2007-2009***

OIG-DCFS investigators asked Dr. Smith why he had certified that he was a psychiatrist on the Illinois Charitable Organization Annual Reports (Form AG990-IL) that DBCC submitted to the Attorney General annually in 2007, 2008, 2009.

In response, Dr. Smith said that he was not a psychiatrist and indicated that his having been identified as a psychiatrist was an error made by "whoever completed" that paperwork.

## ***2. Regarding Variances in FY 2008 and 2009 YSN/CAYIT DBCC Audit***

OIG-DCFS investigators asked Dr. Smith why there were variances in certain line items contained in the YSN/CAYIT portion of DBCC's FY 2008 audit as compared to the FY 2009 YSN/CAYIT independent audit. Specifically, investigators asked Dr. Smith to explain the following variances:

- Difference in "rent" of \$70,000 in FY 2008 as compared to \$40,000 in FY 2009;
- Difference in "salaries and wages" of \$831,000 in FY 2008 as compared to \$644,000 in FY 2009;
- Difference in "consulting fees" of \$310,000 in FY 2008 as compared to \$63,562 in FY 2009; and,
- Difference in "outreach" costs of \$53,000 in FY08 to \$1,000 in FY09.

In response, Dr. Smith stated that he would have to "check into" how the numbers were calculated but "could not" explain the variances. In addition, Dr. Smith stated that he was "not sure" how the auditors reached the numbers that were included in DBCC's audit. Finally, Dr. Smith stated that DBCC's office located at the 87th street facility was where some YSN services took place and was not owned by Ed's Investments but rather by Peter Gritzanis.

## ***3. DBCC's YSN and CAYIT Programs***

OIG-DCFS investigators asked Dr. Smith a series of questions relating to the existence of DBCC's YSN records as well as rent and budget allocations for the YSN and CAYIT programs. In response, Dr. Smith stated the following:

- that several of their computers had viruses and they lost some of their records;
- that there was flooding and water damage in May or June 2010;
- that he could not confirm the identity of the \$38,000 line item for "other consultants" included on the FY 2008 and FY 2009 CAYIT quarterly statements;
- that he could not confirm whether the \$35,000 line item for "support service" included on the FY 2008 and 2009 CAYIT quarterly spreadsheets supported the CAYIT program;
- that he could not confirm how the rent amount was calculated; and,
- that he did not allocate costs across programs and that his accountant should have done the allocation because this was not his "area of expertise."

OIG-DCFS investigators asked Ms. Hamb a series of questions relating to YSN consulting fees, certain budgeted positions and consultant credentials included in the YSN program plan. In response, Ms. Hamb stated the following:

- that she was unable to answer questions about why DBCC's independent audit reported YSN Consulting Fees for FY 2008 of \$310,00 that dropped to \$63,000 for FY 2009 and that she would have to "go back" and look at the numbers;
- that she could not recall whether the YSN or CAYIT programs hired any consultants; and,
- that DCFS gave DBCC a verbal waiver allowing a DBCC therapist who did not have the required credentials to provide services but that she could not recall who at DCFS provided the verbal waiver.

#### ***4. DBCC's DCFS Students at Risk Grant and ISBE Student Services Grant***

OIG-DCFS investigators asked Dr. Smith a series of questions relating to the identical invoices he provided investigators. Specifically, Dr. Smith was asked why he submitted the same Better Life for Youth invoices for the FY 2009 DCFS Students at Risk grant and the FY 2009 ISBE Student Support Services Grant that DBCC was awarded. In response, Dr. Smith stated that he was "not certain" how they were submitted and would have to "double check."

Dr. Smith was also asked why he provided investigators with the same Spirit Tours invoices to support services for the FY 2009 DCFS Students at Risk grant and the FY 2009 DPH grant that DBCC was awarded. In response, Dr. Smith stated, "he was not certain" how the billing was done and would have to "double check."

Dr. Smith was also asked why he provided investigators with the same Alliance for Community Peace materials (summary reports, independent contractor contract) that he had submitted to investigators in support of two separate grants that DBCC was awarded. In response, Dr. Smith stated that, "he was again not certain" about billing and would have to "double check."

Finally, Dr. Smith was shown a list titled "Chicago Department of Family and Support Services" for Alliance for Community Peace, and was asked why the same list was submitted to DCFS and ISBE as supporting documentation. In response, Dr. Smith that "he would have to go back" and look at "his records."

#### **B. Dr. Smith Refuses to Meet with OEIG Investigators**

Beginning in early March 2011, investigators began contacting Dr. Smith via his attorney for the purpose of interviewing him regarding the responses he initially provided to OEIG-DCFS investigators, as well as other questions investigators then had of Dr. Smith.

After several e-mails exchanges, Dr. Smith "confirmed" a meeting with investigators for March 15, 2011, at 2:00 p.m. The meeting was later rescheduled to March 17, 2011 at 2:00 p.m., which Dr. Smith also "confirmed."

On March 17, 2011, at 1:45 p.m., fifteen minutes before Dr. Smith was scheduled to appear at the OEIG Offices, Dr. Smith's counsel contacted the OEIG to state that Dr. Smith

would not appear. According to Dr. Smith's counsel, he was canceling the meeting because Dr. Smith had received a records subpoena from the United States District Court for the Central District of Illinois and he had received a letter from DCFS canceling one or more of his contracts.<sup>40</sup> In e-mail correspondence, Dr. Smith's counsel asked the OEIG for a "reasonable period of time" to resolve conflicts issues and to determine how the matters related, or not.

On March 29, 2011, OEIG contacted Dr. Smith again for the purpose of scheduling an interview on April 5, 2011, at 10:00 a.m. In response, Dr. Smith's attorney advised OEIG that he was scheduled to appear in Springfield and that Dr. Smith intended "to cooperate with [our] office, but that the recent string of events makes it difficult, if not impossible for him to be two places at once."

On April 11, 2011, Dr. Smith, via his counsel, sent the OEIG an email in which Dr. Smith, via counsel, stated that he was still in the process of submitting documents in response to the subpoena he received from the Central District of Illinois, has given them two rounds of documents, and is in the process of producing a third. Dr. Smith informed the OEIG that he now expects to complete that process by April 19, 2011, and that "once that process is complete I will contact you again."

As of May 24, 2011, Dr. Smith has not contacted the OEIG.

#### **C. Dr. Smith Employees Diane Grant and Pleshette Hamb Fail to Cooperate**

On March 15, 2011, OEIG investigators served DBCC employee Diane Grant with a subpoena requiring her attendance at the OEIG offices in Chicago, IL.

On March 17, 2011, OEIG investigators served DBCC Executive Director Pleshette Hamb with a subpoena requiring her attendance at the OEIG offices in Chicago, IL.

On March 23, 2011, Attorney Sam Adam, Jr. contacted the OEIG via facsimile and informed the OEIG that neither Pleshette Hamb nor Diane Grant would appear at the OEIG offices. Mr. Adam informed OEIG that both Ms. Hamb and Ms. Grant would be invoking their right to remain silent.

#### **D. DCFS Director Erwin McEwen Fails to Cooperate**

On Monday, April 25, 2011, the OEIG contacted DCFS Director McEwen's counsel for reconvening his prior OEIG interview.<sup>41</sup> On that day, the OEIG was informed, via Director McEwen's counsel that Director McEwen no longer wished to meet with the OEIG. Director McEwen, via his counsel, was informed that as a State employee Director McEwen was required to cooperate with the OEIG.

By letter dated May 17, 2011, Director McEwen, via his counsel, informed the OEIG that he did not wish to meet with the OEIG. According to Director McEwen, he had had "two exhaustive interviews" and felt he had "fully cooperated with [the OEIG] investigation; and had

---

<sup>40</sup> This was the March 15, 2011 DBCC FY 2011 termination letter.

<sup>41</sup> Director McEwen had been interviewed on February 17 and 28, 2011 but because of time constraints, investigators were unable to complete Director McEwen's interview.

provided [the OEIG] with all of the information that [the OEIG] has requested of him,” and he was declining to make himself available for any further interviews.

In response to Director McEwen’s May 17, 2011 letter, the OEIG informed Director McEwen that he was required to cooperate with the OEIG investigation pursuant to §20-70 of the State Officials and Employees Ethics Act and Administrative Order #6 (2003), which explain a State employee’s duty to cooperate.

In addition, Director McEwen was also reminded that because of time constraints, the OEIG was unable to complete his interview on February 17 or February 28, 2011. In any event, based upon Director McEwen’s May 17, 2011 letter, it was clear he did not wish to complete his interview and no longer wished to cooperate.

As of May 24, 2011, neither Director McEwen nor his counsel has communicated with the OEIG.

## **XVI. ANALYSIS AND INVESTIGATIVE FINDINGS**

### **A. Controlling State Laws, Rules, Regulations and Relevant Contract Provisions**

There are numerous State Laws, rules, regulations and relevant contract provisions that are implicated in this investigation. Below is a summary of the applicable laws and related rules.

#### ***1. Illinois False Claims Act***

Individuals or organizations conducting business with the State of Illinois must comply with all State laws including the Illinois False Claims Act. According to the Illinois False Claims Act, a person who:

- (A) knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval;
- (B) knowingly makes, uses, or causes to be made or used, a false record or statement material to a false or fraudulent claim;
- (C) conspires to commit a violation of subparagraph (A), (B), (D), (E), (F), or (G);
- (D) has possession, custody, or control of property or money used, or to be used, by the State and knowingly delivers, or causes to be delivered, less than all the money or property;
- (E) is authorized to make or deliver a document certifying receipt of property used, or to be used, by the State and, intending to defraud the State, makes or delivers the receipt without completely knowing that the information on the receipt is true;

\*

\*

\*

- (G) knowingly makes, uses, or causes to be made or used, a false record or statement material to an obligation to pay or transmit money or property to the State, or knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay or transmit money or property to the State,

is liable to the State for a fine and treble damages and the cost of any civil recovery action. 740 ILCS 175/3(a)(1)(A-G).

## **2. Illinois Procurement Code**

The Illinois Procurement Code requires State agencies to submit all contracts for public bidding. 30 ILCS 500/1-5. Exceptions to the Code include “grants”<sup>42</sup> and “purchase of care” contracts. *Id.* at 1-10(b)(2-3). “Purchase of Care” is defined in the Code as a “contract with a person for the furnishing of medical, educational, psychiatric, vocational, rehabilitative, social, or human services directly to a recipient of a State aid program.” *Id.* at 1-15.68.

## **3. Illinois’ Auditing, Accounting, Fiscal Control and DCFS Laws**

DCFS’s enabling act sets the agency’s powers and duties. 20 ILCS 505 *et seq.* In addition, the Illinois Fiscal Control and Internal Auditing Act sets forth additional duties and responsibilities relating to Chief Executive Officers and voucher forms.

### **a) Chief Executive Officer Responsibility**

In order to ensure that State funds are spent on legitimate State programs, the Chief Executive Officer of each State agency is:

- “responsible for effectively and efficiently managing the agency and establishing and maintaining an effective system of internal control.” Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/1002.
- also responsible for implementing a control system to ensure that “grants received or made by the designated State agency . . . are monitored, administered, and accounted for in accordance with applicable laws and regulations” *Id.* at 2003(a)(2)(B).

The internal controls implemented by an agency must provide assurance that “funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.” *Id.* at 3001(3).

---

<sup>42</sup> “Grant” means the furnishing by the State of assistance, whether financial or otherwise, to any person to support a program authorized by law. It does not include an award the primary purpose of which is to procure an end product for the direct benefit or use of the State agency making the grant, whether in the form of goods, services, or construction. A contract that results from such an award is not a grant and is subject to the Code. 30 ILCS 500/1-15.42.

#### b) Voucher Forms

The State Finance Act also requires State agencies to certify vouchers submitted to the Illinois Comptroller for payment. The act states:

Every voucher, as submitted [to the Comptroller] by the agency or office in which it originates, shall bear (i) the signature of the officer responsible for approving and certifying vouchers under this Act and (ii) if authority to sign the responsible officer's name has been properly delegated, also the signature of the person actually signing the voucher. [30 ILCS 105/9.02(b)(1)]

... ..

To execute knowingly and intentionally a false certification under Section 9.03 or 9.04 of this Act shall result in removal from office if done by an officer or discharge if done by an employee. [30 ILCS 105/9.06]

#### **4. *Illinois Administrative Rules***

DCFS and vendors providing purchase of care services to DCFS must also comply with Administrative Rules governing the use of State funds. *See* Ill. Admin. Code tit. 89 §§ 356, 357, 360 and 434. The rules identify (1) the documentation vendors must maintain, (2) limits on expenses vendors can claim, and (3) deductions vendors may not take.

- Ill. Admin. Code tit. 89 § 434.7(h)(3) permits providers to retain excess revenue only when they are providing substitute care.
- Ill. Admin. Code tit. 89 § 356.40(d) requires purchased care vendors to maintain documents to verify the costs the vendor claims it incurred. Grant recipients are required to adhere to the same regulatory requirements as purchase-of-care contractors.
- Ill. Admin. Code tit. 89 § 356.50(c) prohibits a State agency from reimbursing a vendor for administrative expenses that exceed 20% of direct service costs.
- Ill. Admin. Code tit. 89 § 359.10 allows DCFS to recover any amounts overpaid to a contractor or grantee, either through deducting the amount of the overpayment from future monies due, or through demands for payment if the provider is no longer providing services.
- Ill. Admin. Code tit. 89 § 360.6(e) provides: . . . 2) payment for the upcoming quarter is based upon the completion of the task specified in the grantee's contract for the previous quarter and upon submission of the required programmatic and financial reports for the previous quarter.
- Ill. Admin. Code tit. 89 § 356.60 provides that: certain purchased care costs shall not be considered by DCFS for reimbursement. Disallowable costs shall include: expenses

resulting from transactions with related parties and/or parent organizations, which are greater than the expense to the related party.

- Ill. Admin. Code tit. 89 § 436.3 mandates that “administrators responsible for the Department's central divisions and the administrators responsible for the local regions shall be charged with the maintenance, destruction, retention and disposition of state records under their jurisdiction.”

Other sources provide guidance including instructions to the Consolidated Financial Report that explain how to determine direct service costs.<sup>43</sup> The instructions provide the following definitions:

#### **SECTION 1. DIRECT PROGRAM EXPENSE DEFINITIONS**

Direct program expense is that which is caused directly by the personnel and object expenses in a program. It does not include management and general (general and administrative) or other administrative expenses.

\* \* \*

#### **SECTION 4. ADMINISTRATIVE EXPENSE DEFINITIONS**

Administrative expenses include direct program administration costs plus management and general costs. Program administration costs are those expenses that are caused by activities not related to an individual case, but related to running the overall program (and distinguished from support and occupancy costs).

According to Illinois Procurement Office staff, expenses associated with the fiscal management of a community-based organization are considered administrative expenses.

#### ***5. Form AG990-IL's***

Illinois non-profit vendors must file completed “Illinois Charitable Organization Annual Reports” (Form AG990-IL) with the Attorney General’s Office. The AG’s Office evaluates vendor eligibility for government contracts and grants. The Form AG990-IL contains the following certification:

UNDER PENALTY OF PERJURY, I (WE) THE UNDERSIGNED DECLARE AND CERTIFY THAT I (WE) HAVE EXAMINED THIS ANNUAL REPORT AND THE ATTACHED DOCUMENTS INCLUDING ALL THE SCHEDULES AND STATEMENTS AND THE FACTS THEREIN STATED ARE TRUE AND COMPLETE AND FILED WITH THE ILLINOIS ATTORNEY GENERAL FOR THE PURPOSE OF HAVING THE PEOPLE OF THE STATE OF ILLINOIS RELY THEREUPON.

A vendor’s president generally signs the certification.

<sup>43</sup> This document can be found at [www.state.il.us/dcfsc/costrpt/download/INSTRUC.pdf](http://www.state.il.us/dcfsc/costrpt/download/INSTRUC.pdf).



## **6. DCFS Standard Grant Contractual Terms and Conditions**

DCFS grants contain numerous standard contractual terms and conditions. One of the standard terms requires vendors to maintain books and records necessary to support amounts charged to DCFS and state as follows:

### ***N. Record Keeping and Monitoring/Rights to Audit Recordings***

1. Pursuant to the Illinois Procurement Code, 30 ILCS 500/20-65, the Contractor agrees to the following:

a) The Contractor and all subcontractors shall maintain books and records necessary to support amounts charged to the Department under this Contract, or all of the subcontracts under this Contract. The books and records shall be maintained by the Contractor and all subcontractors for a period of three (3) years from the date of final payment under this Contract or the completion of this Contract or Subcontract, whichever is later. However, the three (3) year period shall be extended for the duration of any audit in progress at the time of that period's expiration.

b) All books and records maintained per subsection 1a) of this Section shall be available for review and audit by the Auditor General and the Department. The Contractor and all of the Contractor's subcontractors under this Contract shall cooperate fully with any audit.

c) Failure of the Contractor or any of the Contractor's subcontractors under this Contract to maintain the books and records required by subsection 1a) of this Section shall establish a presumption in favor of the Department for the recovery of any funds paid by the Department for which required books and records are not available.

DCFS grants also require standard contractual terms and conditions relating to vendor cooperation with the Office of Inspector General. In specific, the following clause is contained in DCFS grants:

### ***P. Office of the Inspector General***

1. The Office of the Inspector General (OIG) of the Department has the authority to impound and have access to records and facilities without advance notice. The Contractor further agrees that, for the purposes of this section, documents and records include all computer, electronic and digital data.

2. In cooperation with the OIG, the Contractor agrees to the following:

a) To fully comply with requests or Notices of Impounding by the OIG for the production of documents and records.

- b) To refrain from removing, altering or tampering with documents requested or impounded by the OIG or that are the subject of a pending investigation.
- c) To maintain any records identified by the OIG in a manner to prevent tampering, altering or removal by employees.
- d) To allow and encourage employees to speak to the OIG regarding pending investigations.

## **7. Ethics Act Requirement to Cooperate**

The State Officials and Employees Ethics Act requires every employee under the jurisdiction of the OEIG to cooperate in any OEIG investigation. 5 ILCS 430/20-70. The Ethics Act also provides that the OEIG has the discretion to determine the appropriate means of investigation as permitted by law. *Id.* at 20-20(1).

### **B. Dr. Smith and Related Business Entities Investigative Findings**

This investigation revealed that Dr. George E. Smith and business entities he owned defrauded multiple State agencies, and deceived them into paying him millions of dollars of State funds to which he was not entitled.

#### **1. Dr. Smith Produced False and Fraudulent Documents**

During the investigation, investigators discovered that documentation Dr. Smith produced relating to one or more of his businesses was fraudulent. For example, Dr. Smith produced fraudulent invoices falsely asserting that Diversified Inc. had been entitled to receive over \$40,000 of payments for community intervention services under the \$200,000 FY 2009 DHS—DASA grant.

##### **a) Forged Signatures of Providers on Client Verification Sheets**

First, Dr. Smith produced three sets of documents that investigators discovered contained forged signatures of the alleged providers. Below are the three sets of documents Dr. Smith submitted containing false signatures:

- 82 Client Verification Sheets Dr. Smith submitted for \$22,348 of DASA community intervention services allegedly provided for which he received payment under the DHS—DASA grant containing the forged signature of the Executive Director of the Alliance for Community Peace.<sup>44</sup> DBCC employee, Carolyn Sain, acknowledged that her signature accompanied the purported signature of the Executive Director of the Alliance for Community Peace.
- 21 Client Verification Sheets Dr. Smith submitted for \$6,984 of DASA community intervention services allegedly provided for which he received payment under the DHS—DASA grant containing the forged signature of the Executive Director of Dreamcatcher

<sup>44</sup> Dr. Smith also misrepresented that the services were performed during times when Alliance for Community Peace was not even open for business.

Foundation. The forms also contained the signature of DBCC employee Roberta A. Jones.

- 7 Client Verification Sheets Dr. Smith submitted for \$4,469 of DASA community intervention services allegedly provided for which he received payment under the DHS—DASA grant containing the forged signature of the Vice-President of Youth Services of 100 Black Men of Chicago. The forms also contained the signature of DBCC employee Pleshette Hamb, Executive Director of DBCC.

b) Genuine Signatures with Intentionally Misleading Information

Second, Dr. Smith submitted to investigators fraudulent Client Verification Sheets that he said represented \$2,700 worth of services purportedly performed. Even though the documents contain genuine signatures of Langston Hughes teachers, they are fraudulent because teachers were asked to sign blank sheets and false times of services were added after the time sheets were signed. The Langston Hughes Client Verification sheets represent that an independent contractor named Faye Rochelle provided early intervention substance abuse services from April through May 2009 to students of all grades between 2:30 to 4:30 p.m. However, the investigation revealed that *no* after school substance abuse services were provided at Langston Hughes School during that school year (2008-2009).

c) Forged Signatures and False Information on Client Verification Sheets

Third, Dr. Smith submitted 60 Client Verification Sheets for \$6,564.96 worth of DHS—DASA community intervention services he claimed represented services provided to children at [Support Services Agency] under the Diversified Inc. grant. However, interviews with the [Support Services Agency] employee reveal that the Client Verification Sheets contained forged signatures and/or contained false information.

Dr. Smith's (and his employees') submission of multiple fraudulent documents to support receipt of these funds violates the Illinois False Claims Act, and other State and federal laws relating to fraud and conspiracy to commit same. It remains unclear whether Dr. Smith will ever be able to justify retaining the remaining DHS—DASA funds paid him under the FY 2009 grant, especially since after March 2011, Dr. Smith and his employees refused to meet with investigators.

Based upon the above facts, the allegation that Dr. George E. Smith violated the Illinois False Claims Act by knowingly presenting to investigators documents containing forged signatures to support Diversified Inc.'s prior receipt of State DHS—DASA funds for services allegedly provided by: 100 Black Men, Dreamcatcher Foundation and Alliance for Community Peace is **FOUNDED**.

The above facts also reveal that the allegation that Dr. George E. Smith violated the Illinois False Claims Act by knowingly presenting to investigators false or fraudulent Client Verification Sheets in support of Diversified Inc.'s prior receipt of DHS—DASA grant funds for after-school services at Langston Hughes is **FOUNDED**.

Dr. Smith violated the Illinois False Claims Act by knowingly presenting false or fraudulent claims for payment when he used false Client Verification Sheets as the basis to support the prior receipt of DHS—DASA funds for after-school services at Langston Hughes and for services allegedly provided by [Support Services Agency]. Thus, this allegation is **FOUNDED**.

***2. Dr. Smith Submitted the Same Documentation to Support Payments Under Multiple Grants***

In FY 2008 and FY 2009, Dr. Smith, through DBCC and MPI, obtained grants and received payments from multiple State and local agencies for allegedly providing services to at-risk students. Investigators discovered that Dr. Smith submitted copies of the same documents to different State and local agencies. Specifically, Dr. Smith produced the same invoices in an attempt to prove his companies provided services under different grants.

a) Same Invoices for Students at Risk Grant and HIV/AIDS Training Grant

First, Dr. Smith submitted five invoices to OIG-DCFS to support DBCC provided services under the FY 2009 \$450,000 Students at Risk grant, claiming that DBCC incurred costs for alleged travel to Springfield. At the same time, Dr. Smith produced the same five invoices to DCFS in support of his assertion that DBCC provided over \$17,000 of services under an Illinois Department of Public Health (DPH) grant in which DBCC agreed to provide HIV/AIDS awareness training. Specifically, Dr. Smith produced the same five invoices set forth below:

- An April 17, 2009 \$4,143 Invoice from Spirit Tours, Inc.;
- A May 1, 2009 \$5,524 Invoice from Spirit Tours, Inc.;
- A May 12, 2009 \$2,762 Invoice from Spirit Tours, Inc.;
- A May 12, 2009 \$2,762 Invoice from Spirit Tours, Inc.; and,
- A May 12, 2009 \$2,762 Invoice from Spirit Tours, Inc.

b) Same Invoices for Students at Risk Grant and ISBE Student Support Services Grant and HIV/AIDS Awareness Grant

Second, Dr. Smith produced to investigators invoices from Better Life for Youth, claiming DBCC incurred \$13,000 in costs under the FY 2009 DCFS \$450,000 Students at Risk grant for alleged travel to college campuses. At the same time, Dr. Smith produced the same invoices claiming DBCC incurred \$13,000 in costs under the FY 2009 ISBE \$342,000 Student Support Services grant. Dr. Smith also produced the same invoices to the OIG-DCFS investigators, claiming DBCC incurred \$20,500 in costs under the FY 2008 DPH \$125,000 HIV/AIDS awareness grant. When investigators asked Dr. Smith why he produced three invoices (two of which were duplicates) to support services provided under different agency grants, he responded by stating that “he was not certain how the billing was done and would have to double check.” However, investigators were unable to inquire any further with regard to why

Dr. Smith used the same invoices for multiple agencies, because neither Dr. Smith nor his employees cooperated with investigators after March 2011.

c) DBCC Did Not Expend Funds for Every Invoice Submitted

Third, investigators subsequently reviewed DBCC bank records, which revealed that despite claiming a total of \$46,500 in grant expenses, DBCC only paid \$22,500 to an organization called Better Life for Youth. As a result, not only did Dr. Smith submit the same invoices in an attempt to convince investigators that DBCC performed work under three different grants from three different agencies, but it appears that DBCC may not have incurred the costs set forth in the invoices. In any event, investigators were unable to clarify the invoices in part because neither Dr. Smith nor his employees cooperated with investigators after March 2011.

d) Smith's Businesses Were Paid for Same Services by Different Grants

Fourth, Dr. Smith produced documents to support cost reports he submitted regarding grants he received from three agencies during FY 2009. The three agencies and grants were: 1) the Chicago Board of Education's \$772,405 grant awarded to Dr. Smith's MPI (for No Child Left Behind tutoring); 2) DCFS's \$450,000 grant awarded to Dr. Smith's DBCC (for Students at Risk); and, 3) ISBE's \$342,000 grant awarded Dr. Smith's DBCC (for Student Support Services). The grants funds received during the same year were for what were essentially the same services—tutoring/mentoring/education services in Chicago-area schools. Dr. Smith produced to investigators "client lists," allegedly identifying students DBCC served during FY 2009 under the Students at Risk grant. When analyzed, the documents reveal that Dr. Smith claimed to have provided training on the *same* day and for at least seven of the schools Dr. Smith identified.

e) Smith's Entities Billed Three Agencies for the Same Services at Hales Franciscan

Fifth, Dr. Smith, via DBCC and MPI, simultaneously represented to DCFS, ISBE and the CBOE<sup>45</sup> that a consultant named Glenn Morris provided services to students at Hales Franciscan High School. However, an analysis of the records produced by Dr. Smith reveals that DBCC and MPI billed the ISBE, CBOE and DCFS for the same services, allegedly provided by the *same* person, on the *same* day, and the *same* time, and to the *same* students. The DBCC invoices to DCFS and ISBE are identical to DBCC invoices issued by MPI to CBOE. The Principal of Hales Franciscan said that he had never heard of DBCC providing services at Hales Franciscan and was not aware that DCFS or ISBE were funding services to Hales Franciscan students.

f) Dr. Smith's Apparent "Cut-and-Paste" Error Reflects Duplicate Billing

Sixth, in February 2011, more than fifteen months after they were due, Dr. Smith submitted to ISBE an "Agreed Upon Procedures" report and a "Program Performance" report, ostensibly supporting services DBCC provided in FY 2009 under the ISBE Student Support Services Program grant. In the "outcomes" section of the Program Performance report, DBCC represented that it performed services pursuant to the "*Students at Risk (SAR) program.*"

<sup>45</sup> The Chicago Board of Education.

(emphasis added). The Students at Risk grant, however was a DCFS grant and not an ISBE grant. Dr. Smith's reference to the Students at Risk grants appears to be an inadvertent "cut and paste" job. In light of the fact that Dr. Smith received multiple grants during the same year from multiple agencies, it is now easy to understand how these kinds of "mistakes" can be made. Investigators, however, were unable to question Dr. Smith about the inclusion of Students at Risk language in an outcomes report for the ISBE because of his refusal to cooperate. There is little doubt Dr. Smith used services performed under one grant to support services purportedly provided under other duplicate grants.

In summary, when investigators requested Dr. Smith to provide back-up documentation to support cost reports submitted to DCFS, ISBE, and DPH, he produced copies of the same documents. As a result, Dr. Smith was not and is not entitled to receive the grant funds he received in FYs 2008 and 2009 under the DCFS, ISBE, and DPH grants. Investigators are unable to determine the exact amount of duplication because Dr. Smith and his employees have refused to cooperate with the investigation. Specifically, investigators are unable to ask Dr. Smith questions about each of the cost reports submitted to each of the agencies.

### ***3. Dr. Smith Obtained Payment for Employees and Services That Did Not Exist***

#### ***a) Excessive Fiscal Agent Fees under DCFS's FCRC Contract***

In addition to submitting false documents and producing the same documents for so-called "fiscal agent" fees to support services under multiple grants, Dr. Smith also obtained \$158,965 per year by submitting two different budgets. If DBCC legitimately performed "fiscal agent" services, it would have been entitled to no more than 15% of direct costs of the FCRC family advocacy grants. Instead, Dr. Smith appeared to have unlawfully obtained \$158,965 annually by preparing two separate budgets: one for operating costs of FCRC (\$433,355) and a different budget that was submitted to DCFS (\$592,230). In other words, DCFS paid DBCC \$592,230, but DBCC only paid FCRC \$433,355.

Based upon the above facts, investigators find that Dr. Smith violated the False Claims Act when he submitted and accepted payment for "fiscal agent" fees he was not entitled to receive. Thus, this allegation is **FOUNDED**.

#### ***b) YSN Therapist Did Not Exist***

Second, in FYs 2008 and 2009, DBCC submitted a project budget to DCFS for the YSN portion of the \$911,000 YSN/CAYIT grant indicating that the YSN project program would use three therapists paid \$50,000 each. Documents submitted by Dr. Smith to OIG-DCFS investigators and interviews reveal that DBCC only had two YSN therapists at \$50,000 each year for services by a therapist who did not exist.

Based upon the above facts, investigators find that Dr. Smith violated the False Claims Act when he submitted and accepted payment for a third YSN Therapist who did not exist. Thus, this allegation is **FOUNDED**.

c) CAYIT Consultants Did Not Exist

Third, DBCC's FYs 2008 and 2009 YSN/CAYIT budget to DCFS also contained \$38,000 in costs for CAYIT "consultants." In their interviews, neither Dr. Smith nor Ms. Hamb could identify any consultants who worked on the CAYIT grant. DCFS Program Monitor Mr. Lee Annes was similarly unable to provide investigators with the identity of *any* consultants. As a result, DBCC was paid at least an additional \$38,000 each year for consultants who did not exist. As with other areas of inquiry investigators wished to question Dr. Smith about, they were unable to obtain clarification because neither he nor his staff appeared for further interviews.

Based upon the above facts, investigators find that Dr. Smith violated the False Claims Act when he submitted and accepted payment for \$38,000 in FY 2009 YSN/CAYIT fees for a YSN consultant he was not entitled to receive. Thus, this allegation is **FOUNDED**.

4. *Dr. Smith Obtained Payment for Disallowable Expenses and Made Misrepresentations*

Dr. Smith and businesses he owned or controlled also obtained payment for disallowable expenses. The most egregious example relates to alleged "rental expenses" that Dr. Smith and his businesses appeared to have obtained from proceeds of one or more of the grants.

a) Disallowable Rental Expense

Investigators determined that DBCC submitted and obtained rental reimbursements in support of its direct program expenses for the same location from multiple sources. DBCC claimed to provide direct services at 1140 E. 87th Street, Chicago, IL, under numerous grants, and received rental reimbursement from DCFS, DHS and the City of Chicago totaling \$130,500 for FY 2009. A review of bank records reveals DBCC paid the lessor of the property only \$40,000 in FY 2009. DBCC also produced a copy of leases for the property for FY 2011, which shows annual rental cost of \$30,000.

Similarly, DBCC had submitted documentation to DCEO for FY 2010 indicating that it paid \$2,500 per month for space at 1140 E. 87th Street, even though the DCEO grant identified 11070 South Western Avenue as DBCC's address. DCEO determined that another DCEO grantee, the Rehab and Rebuild Foundation, had also submitted expenditures to DCEO for renting space at 1140 E. 87th Street and for which it paid Dr. Smith. In fact, the Chief Executive Officer of the Rehab and Rebuild Foundation was identified as Donovan Robertson, who was a board member of DBCC. Therefore, Dr. Smith was seeking to obtain payment by DCEO and Rehab and Rebuild Foundation for the same space. Investigators were unable to question Dr. Smith about his rent payments because he refused to further cooperate. Nonetheless, it is clear that DBCC's actual rent and/or net cost was below the total amount it billed DCFS and the City of Chicago.

Based upon the above facts, investigators find that Dr. Smith violated the False Claims Act when he submitted and accepted payment for rental fees he was not entitled to receive. Thus, this allegation is **FOUNDED**.

b) Dr. Smith Misrepresents Ownership Interest in Property

In addition to obtaining rental reimbursements for the same location from multiple sources, documentation produced to investigators reveals that Dr. Smith made a false representation regarding the ownership interest of property. For example, to support DBCC's DCFS Students at Risk grant, Dr. Smith and DBCC represented that Peter Gritzanis owned the 1140 E. 87th Street facility where DBCC provided services. However, in documentation Dr. Smith furnished to the City of Chicago in support of Head Start Services for the same fiscal year, Dr. Smith and DBCC represented that 1140 E. 87th Street, Chicago was owned by Ed's Investments, a company in which he (Dr. Smith) possesses a partnership interest and is CEO.

c) Pleshette Hamb's \$75,000 Per Year YSN/CAYIT Salary

According to documents produced to investigators, DBCC allocated 100% of Executive Director Pleshette Hamb's \$75,000 per year salary as an expense to the YSN portion of the FY 2009 \$911,000 YSN/CAYIT grant. However, in FY 2009 the City of Chicago also awarded DBCC Head Start grant funds. A review of documents Dr. Smith submitted to CSU and the City of Chicago reveals that he sought reimbursement (as an administrative expense) for \$15,000 (or 16.67%) of Ms. Hamb's salary. As a result, Dr. Smith simultaneously recovered from the City of Chicago and DCFS 116% percent of what DBCC paid Ms. Hamb in FY 2009.

Based upon the above facts, investigators find that Dr. Smith violated the False Claims Act when he accepted payment for Pleshette Hamb's salary that he was not entitled to receive. Thus, this allegation is **FOUNDED**.

d) Disallowable Expenses for Washington D.C. Trip

The Illinois Department of Commerce and Economic Opportunity (DCEO) oversaw a \$450,000 student support services grant awarded to DBCC in FY 2010. In addition to other irregularities identified by DCEO, DCEO identified particular problems with expenses associated with a trip to a college fair in Washington D.C. According to DCEO employee Shelly Banks, DBCC indicated in documentation that it had hired Better Life For Youth as a consultant for the trip. Otherwise, as Ms. Banks explained, Better Life For Youth was not allowed to do business with DCEO. DBCC also produced a stack of "questionable" receipts for expenses allegedly incurred during the Washington D.C. college trip. These receipts included items that are not subject to reimbursement under the DCEO grant, such as money orders, liquor, office printers, and cable television, and accordingly DCEO never approved the purchase of these items.

In summary, the investigation revealed that Dr. Smith and companies owned and controlled by him overstated the amount of expenses they incurred, recovered the overstated expenses from the proceeds of more than one grant, and collected otherwise disallowable expenses. Investigators were unable to question Dr. Smith about expenses billed to one or more State and local agencies because he refused to cooperate.



e) Disallowable Administrative Expenses

The FCRC Operating Budget of \$433,395 identified \$97,344 of administrative expenses. Therefore, according to the FCRC Operating budget, the total of direct expenses of the FCRC grant was \$336,051 (\$433,395 - \$97,344). Administrative expenses should have been capped at no more than \$67,201 or 20% of \$336,051. Instead, DBCC appeared to have retained far in excess of \$67,201 in administrative expenses or an amount equal to about \$256,000 each year.

Based upon the above facts, investigators find that Dr. Smith violated Ill. Admin. Code tit. 89 § 356.50(c) when he obtained in excess of 20% administrative fees is **FOUNDED**.

5. *Dr. Smith Commingled Grant Funds*

A review of bank records for FYs 2008 and 2009 reveals that all of Dr. Smith's business entities commingled grant funds. In addition, the records reveal that Dr. Smith paid business expenses incurred by one business from another business account. Investigators discovered at least three instances in which consultants who allegedly provided services in support of Dr. Smith's for one profit business entity (MPI), were paid from checks drawn on an account owned by a separate not-for-profit entity (DBCC). As a result, DBCC over-represented its expenses.

a) Three MPI Consultants Paid Via DBCC Account

A consultant to Dr. Smith, [consultant], allegedly provided services for Dr. Smith's MPI, but an analysis of bank records reveals that more than \$47,000 of checks payable to her were drawn on an account owned by DBCC. Second, Glenn Morris was another consultant who provided services to MPI and he too was paid by checks drawn on a DBCC account. Third, Dr. Angela Scott allegedly provided services to MPI and DBCC yet she was paid only by checks drawn on a DBCC account.

b) Undocumented Loans Between Smith-Controlled Entities

Dr. Smith and companies owned and controlled by him also seemed to have made undocumented "loans" to one another. Analysis of bank records revealed that several checks contain the word "loan" written in the notations, but Dr. Smith did not produce to investigators promissory notes or any other documents evidencing loans between the companies. Thus, investigators are unable to determine whether the so-called "loans" are legitimate loans or an attempt to conceal improper activity.

c) Dr. Smith Paid Thousands for Sporting Event Tickets

Finally, an analysis of bank records reveals Dr. Smith and businesses he owned spent thousands of dollars on sporting events including, tickets to the Chicago Cubs, Chicago White Sox, Chicago Bulls and Chicago Bears.

In summary, a review of bank records for accounts Dr. Smith owned or controlled via DBCC, MPI and/or other of his business entities reveals that he did not appear to have properly segregated or accounted for grant funds. Dr. Smith apparently used DCFS and other agency grant funds to pay consultants who apparently provided services under other business entities

such as MPI under separate grants, thus depriving DCFS wards, clients and Illinois citizens of the benefits of the grant services for which he was paid.

Therefore, the allegation that Dr. George E. Smith violated the terms of his contracts by failing to properly account for grant funds resulting from commingling of funds, undocumented loans and the purchase of sports tickets is **FOUNDED**.

#### ***6. Dr. Smith Misrepresented His Professional Credentials***

Investigators reviewed DBCC's Illinois Charitable Organizational Annual Reports and Illinois Form 990s from 2003 through 2009. Beginning in FY 2007, DBCC submitted a Form 990 in which Dr. Smith certified, under penalty of perjury, that he was a psychiatrist. However, Dr. Smith is not a medical doctor, psychiatrist, or psychologist. His highest degree is an EDD or a Doctorate in Education. Although Dr. Smith claimed that staff inadvertently certified that he was a psychiatrist on the various Illinois Charitable Organizational Annual Reports (Form AG990-IL), he nevertheless signed the forms.

Based upon the above facts, investigators find that Dr. Smith committed perjury when he falsely certified he is a psychiatrist on the Form AG990-ILs. Thus, this allegation is **FOUNDED**.

#### ***7. Dr. Smith's Improper Medical Care***

In March 2010, Dr. Cynthia Tate of DCFS learned that DBCC had not been submitting medication consent forms for children it treated under the PACT grant. Indeed, Dr. Tate estimated that medication consent forms were missing for about 90 DCFS wards. DBCC continued to prescribe psychotropic medication for these children without the necessary consent and without having determined proper dosages. Dr. Tate learned that the reason that DBCC failed to provide these forms was because DBCC did not have a scale to weigh the children. Psychiatrists are required to weigh children in order to determine the correct dosage to prescribe.

Not only did DBCC fail to obtain necessary consents, but its conduct endangered the health and safety of children because it apparently could not determine the correct dosage of psychotropic medication for its PACT clients.

#### ***8. Dr. Smith's Failure to Cooperate with DCFS Staff***

Throughout this investigation, DCFS program monitors repeatedly described difficulties they encountered obtaining necessary documentation and other information from Dr. Smith, including but not limited to, required quarterly cost reports. This pattern appears to have begun as early as 2006, when Ken Broady was assigned to monitor Dr. Smith's \$450,000 Students at Risk grant. The following identifies DCFS staff Dr. Smith did not cooperate with:

- DCFS employee Ken Broady regarding a site visit relating to the FY 2007 Students at Risk grant;

- DCFS employee Kevin Walsh regarding documentation he requested in the April 16, 2009, June 12, 2009 and June 24, 2009 letters relating to the FY 2009 Students at Risk grant.
- DCFS Deputy Director Dr. Cynthia Tate regarding documentation she asked for relating to the FY 2010 PACT grant.

In short, Dr. Smith appears to have engaged in a pattern of not responding to DCFS staff seeking to justify services he purportedly provided. In addition, it appears as though DCFS Director McEwen was aware of Dr. Smith's practice, but apparently did nothing other than call Dr. Smith and ask him to cooperate. Dr. Smith failed to comply with the grant contracts, and also failed to respond to DCFS personnel during grant administration and used his relationship with Director McEwen when necessary.

#### ***9. Dr. Smith and his Employees Fail to Cooperate with Investigation***

DCFS standard contract terms and conditions and Ill. Admin. Code tit. 89 § 430.50 require vendors to cooperate with investigations of the OIG-DCFS. In late 2010, the OEIG and OIG-DCFS agreed to conduct a joint investigation. Although Dr. Smith and Pleshette Hamb initially met with OIG-DCFS investigators in late 2010, Dr. Smith refused to further meet with investigators after March 2011. In addition, two key employees of DBCC, Executive Director Pleshette Hamb and Financial Officer Diane Grant, refused to meet with investigators in March 2011. By failing to meet with investigators, Dr. Smith and his staff prevented investigators from further inquiring into a variety of subject matters including, among others:

- The submission of multiple fraudulent Client Verification Sheets relating to Alliance for Community Peace; the Dreamcatcher Foundation; 100 Black Men; [Support Services Agency] and Langston Hughes School.
- The submission of the same invoices to DCFS and DPH for services purportedly offered on April 17, 2009, May 1, 2009 and three different invoices dated May 12, 2009 relating to Spirit Tours, Inc.
- The submission of the same invoices to DCFS and ISBE for services purportedly offered to Better Life for Youth.
- The submission of duplicate and triplicate billing for in-school programs to more than one State agency.
- The services DBCC Executive Director Pleshette Hamb engaged in as an employee of DBCC under one or more State agency grants.
- The basis for seeking rental expenses in excess of rent paid.
- Dr. Smith's ownership interest in Ed's Investments.
- The reason why the FCRC was given a budget that was \$158,835 less than the budget submitted to DCFS in the grant contract.

- Why the FCRC budget continued to include an Executive Director that had left in March of 2007 and had never been replaced.
- The reason why the \$592,230 budget submitted to DCFS for the FCRC included a \$77,000 line item for “Other Consultants and Contractual” when there were no other consultant or contractual costs.
- Why the YSN budget included three full-time therapists when only two were identified by residence staff.
- Why the CAYIT budget contained a line item for a \$38,000 consultant when neither the monitor nor DBCC staff could identify a CAYIT consultant.
- Every request for payment under grants awarded to any business owned by Dr. Smith.

Based on the above facts, investigators determined that Dr. George Smith failed to cooperate with the investigation in violation of his contractual terms. Therefore, the allegation that Dr. George Smith violated the contract, and Ill. Admin. Code tit. 89 § 430 by failing to cooperate with investigators is **FOUNDED**.

### **C. DCFS and DCFS Director McEwen Fail to Monitor Dr. Smith Grants**

#### ***1. Summary of DCFS Staff Conduct***

The Department of Children and Family Services Enabling Act (20 ILCS 505) sets out the powers and duties of the Illinois Department of Children and Family Services. To ensure that State funds are spent on legitimate State programs, the Chief Executive Officer of each State agency is “responsible for effectively and efficiently managing the agency and establishing and maintaining an effective system of internal control.” Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/1002.

The Chief Executive Officer shall also ensure that “grants received or made by the designated State agency . . . are monitored, administered, and accounted for in accordance with applicable laws and regulations.” *Id.* at 2003(a)(2)(B). The internal controls must provide assurance that “funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.” *Id.* at 3001(3).

From December 2007 through 2011, DCFS Director McEwen failed to “effectively and efficiently manag[e] the agency and establish[] and maintain[] an effective system of internal control.” There appears to be little basis upon which grants were awarded to Dr. Smith and his business entities.

#### **a) DCFS Did Not Perform Adequate Pre- or Post-Award Investigation of Smith Entities**

First, there is no evidence regarding what, if any, research DCFS conducted on Dr. Smith prior to awarding him multiple contracts year after year. There is also nothing to indicate whether DBCC was even capable of delivering more than \$4 million of services on behalf of DCFS between FYs 2005 and 2010. Rather, the investigation reveals the opposite. Despite the

fact that Dr. Smith failed to comply with repeated DCFS document requests, DCFS, via Director McEwen, continued to award him and pay him and his business entities millions of dollars in grant funds.

b) DCFS Failed to Analyze Budgets

Second, until Kevin Walsh raised the issue in March 2009, there is no evidence that DCFS even analyzed DBCC's proposed budgets, or compared them to the proposed services DBCC promised to provide under the grant documents. Program monitors failed to question basic budget issues. For example, it was not until a September 1, 2009 memorandum by Mr. Walsh that DCFS noticed that the Students at Risk program budget contained \$263,000 for services that were not included in the Program Plan, costs which represented almost 60% of the entire grant amount. DBCC also submitted budgets identifying rental costs as "expenses" it would incur delivering services under the Student at Risk and the Youth Stabilization grant programs. A review of the grant documents reveals, however, the services were to be provided at residential placements or at schools attended by the children.

In addition, as DCFS CFO Mr. Stanek explained, DCFS contracts with fiscal agents to provide management services for DCFS providers who *do not* have the capability of handling the financial aspects of a grant. Between FYs 2008 and 2011 alone, DCFS awarded DBCC over \$2 million in contracts under the Family Advocacy Program grants. There is no evidence that DCFS engaged in any due diligence of DBCC. The fact that DCFS determined that it overpaid DBCC by more than \$1 million is evidence that DBCC was, at best, incapable of fiscal management.

c) DCFS Failed to Monitor Grants to Smith-Controlled Entities

Third, DCFS personnel essentially did not monitor the grants to ensure that DBCC and other entities owned or controlled by Dr. Smith were delivering the services that they agreed to provide. DCFS personnel failed to take any meaningful action when DBCC failed to produce documents to prove that it was earning the grant funds. DCFS personnel failed to take appropriate action, even when they knew DBCC had not complied with the terms of the grant, such as when it became clear the DBCC had not conducted background checks of persons who were having direct contact with DCFS wards.

Until March 2009, DCFS personnel failed to require, and DBCC failed to submit required programmatic records. DCFS Rules provide that payment must be conditioned upon the grantee's submission of required programmatic reports, among other information:

- 2) payment for the upcoming quarter is based upon the completion of the task specified in the grantee's contract for the previous quarter and upon submission of the required programmatic and financial reports for the previous quarter.

III. Admin. Code tit. 89 § 360.6(e). Despite the fact that DCFS personnel did not ask for or follow up with DBCC when it failed to produce documents required by DCFS regulations, DCFS personnel continued to pay DBCC on a regular, quarterly basis. In fact, DCFS Deputy Director Fitzgerald stated that even though he knew that DCFS Business Manager Darlene Cannon should

not have signed DBCC's \$112,500 FY 2009 fourth-quarter "buckslip," he still approved the "buckslip."

d) DCFS Failed to Follow Grant-Reconciliation and Payment-Withholding Procedures

Fourth, the investigation reveals DCFS staff failed to comply with third-quarter reconciliation procedures. As Mr. Stanek explained, DCFS grant monitors are required to reconcile amounts paid to a grant vendor through the third quarter of a grant with the amount of services provided by the grant vendor through the third quarter. If the vendor provided less than the full amount of the promised services, then the grant monitors are required to withhold payment of the full fourth-quarter payment in a set-off of the amount of services not rendered through the third quarter.

In March 2009, a program monitor supervisor began to raise pertinent questions about the FY 2009 \$450,000 Students at Risk grant. Dr. Smith failed to provide supporting information to address the questions raised. The supervisor's manager, the Business Manager and the Deputy Director of Service Intervention were all notified of the questions and Dr. Smith's failure to provide information. Incredibly, DCFS staff paid Dr. Smith again - without authorization by the contract monitor and his supervisor. The DCFS Business Manager signed off and approved the fourth-quarter \$112,500 payment, certifying that services had been delivered even though she was not the contract program monitor. Deputy Director Fitzgerald also approved payment of the fourth-quarter disbursement even though he knew the DCFS Business Manager was not the appropriate person to have approved the voucher form. Apparently, DCFS personnel concluded that it would have been "unfair" to DBCC to withhold the fourth-quarter FY 2009 payment, "reasoning" that Dr. Smith's failure to comply with the grant contract and failure to respond to the supervisor's letters was DCFS's own fault.

e) DCFS Failed to Perform Post-Grant Excess Revenue Determinations In a Timely Manner

Fifth, DCFS failed to timely engage in "Excess Revenue Determinations." Mr. Stanek explained that grant vendors are required to submit to DCFS certified financial statements within one year after the grant period expires, so that DCFS can reconcile all grant payments with the certified financial statements to ensure the vendor was not paid "excess revenue." In other words, DCFS spends additional resources to determine whether it overpaid the grant vendor. The grant vendor should be in the best position to know if it received more money than costs it incurred.

DCFS did not issue an "Excess Revenue Determination" for any DBCC grant until January 12, 2011, almost five years after FY 2006. By letters dated January 12 and April 6, 2011, DCFS advised DBCC that it incurred "excess revenue" of a total of \$1,130,757 in FYs 2006 through 2010. Therefore, DCFS concluded five years after the fact that it overpaid DBCC. As detailed throughout this report, the "Excess Revenue Determination" by DCFS is based upon the erroneous assumption that DBCC actually provided the services for which it was paid and the erroneous assumption that the audit reports submitted to DCFS are based upon verifiable facts.

In summary, and as detailed below, the investigation revealed that DCFS failed to comply with its own procedures, starting with the award of the grants to DBCC through “Excess Revenue Determination.”

## ***2. DCFS Business Manager Darlene Cannon***

Investigators determined that as DCFS Business Manager Darlene Cannon received and processed numerous “buckslips,” or vouchers, certifying that DBCC earned its quarterly payments even without having received a quarterly cost report or a certification from a program monitor that the services were actually provided. In addition, Ms. Cannon certified that services were received for the \$112,500 fourth-quarter payment of the FY 2009 Students at Risk grant even though she knew that Dr. Smith failed to provide required supporting documentation of services to the Program Monitor as required.

Based on the above, the allegation that Darlene Cannon certified that goods and services had been received, even though she knew that DBCC failed to provide documentation of goods and services delivered in violation of Ill. Admin. Code tit. 89 § 360.6(e) is **FOUNDED**.

## ***3. DCFS Associate Deputy Director Frances Elbert***

In FY 2009, DCFS Associate Deputy Director Frances Elbert supervised Kevin Walsh and Darlene Cannon. She received copies of the letters that Mr. Walsh sent to Dr. Smith requiring him to produce certain underlying documentation to support DBCC’s \$450,000 FY 2009 services under the Students at Risk grant. Mr. Walsh and Ms. Elbert confirmed that she and Ms. Cannon were aware that Dr. Smith failed to produce the required documentation. Despite this knowledge, Ms. Elbert stated that she questioned whether it was appropriate to withhold DBCC’s FY 2009 fourth-quarter payment. During her interview, Ms. Elbert summed it up best herself: “Yes [ . . . ] it was a waste of money and a dereliction of our responsibilities.” That dereliction of responsibilities resulted in DBCC obtaining its fourth-quarter \$112,500 payment. Under Ms. Elbert’s supervision, Darlene Cannon signed the fourth-quarter payment authorization, attesting that services had been received, even though they both knew DBCC did not provide evidence that it actually provided the services.

Ms. Elbert also failed to take any action after she learned that DBCC could not provide verification that it was conducting background checks of staff and consultants who were working directly with children. Ms. Elbert acknowledged that she was aware that DBCC did not perform background checks, stating only: “This makes me look crazy ... but I did not do anything.”

Investigators found that Ms. Elbert failed to take action after learning that DBCC did not provide documentation of compliance with background check requirements and authorized payment without confirming the services were actually provided. Accordingly, the allegation that Ms. Elbert violated Ill. Admin. Code tit. 89 §§ 360.6 and 385 by authorizing payment without sufficient documentation that services had been provided and by failing to take action after learning that DBCC did not perform background checks on its staff who had contact with children is **FOUNDED**.

#### **4. DCFS Deputy Director Daniel Fitzgerald**

The investigation revealed that DCFS Deputy Director Daniel Fitzgerald improperly authorized payment of DBCC's \$112,500 FY 2009 fourth-quarter Students at Risk "buckslip." Mr. Fitzgerald confirmed he had read Mr. Walsh's three letters and attended the June 2009 meeting. Mr. Fitzgerald never learned whether DBCC ever submitted the required documentation prior to approving the \$112,500 payment.

In fact, Mr. Fitzgerald said he issued an oral directive to DCFS staff including Darlene Cannon that DBCC should *not* receive the fourth-quarter payment until it complied with Mr. Walsh's document requests. Yet, despite all of this, Mr. Fitzgerald signed the voucher authorizing payment in July 2009 without confirming whether DBCC had complied with requirements. Mr. Fitzgerald acknowledged that the voucher he signed and approved included Darlene Cannon's signature certifying receipt of goods and services. He further acknowledged that Ms. Cannon should not have signed the document, because she did not have authority to do so, and she had no knowledge of whether services had been delivered.

In response to why he approved and signed the "buckslip" even though he knew Ms. Cannon did not have authority to approve the \$112,500 payment, Mr. Fitzgerald stated, "I take full responsibility ... [t]he approval was inadvertent ... not the signature, but the approval." After "inadvertently" approving the "buckslip" Mr. Fitzgerald did nothing to recover DBCC funds or obtain the documents Mr. Walsh was seeking from DBCC. Mr. Fitzgerald's only apparent response was to *delay* the execution of yet another grant to DBCC, this time for the FY 2010 Students at Risk grant.

Based on the above, the allegation that Daniel Fitzgerald violated the State Finance Act and Ill. Admin Code tit. 89 § 360.6(e) when he certified that goods and services had been received when he knew that DBCC failed to provide documentation of goods and services delivered, is **FOUNDED**.

#### **5. Failure of DCFS to Re-Evaluate YSN/CAYIT Grant Awards**

The investigation revealed that beginning in FY 2008 DCFS awarded DBCC grants worth nearly \$1 million, combining DCFS's Youth Stabilization Network (YSN) and Child and Youth Investment Team. However, the nearly \$1 million annual grants were monitored by two DCFS staff, one of which, Ms. Donna Kazragis, had never even seen or been provided a copy of the grant. In fact, when questioned about her role, Ms. Kazragis stated that she only received monthly bills and cost reports. Thus, there was no way for Ms. Kazragis to compare DBCC invoices with the DCFS approved budget. In short, Ms. Kazragis signed "buckslips" acknowledging the "receipt of goods and services" without knowing whether the budget or Program Plan had been satisfied. Ms. Kazragis stated, "I was told to sign them and send them to Springfield."

DCFS failed to take action after Ms. Kazragis learned that DBCC was overbilling DCFS for three therapists. Ms. Kazragis informed investigators that the amount of the YSN grant (\$500,000 per year) was premised on the original number of stabilization centers, and no adjustments were made to the size of the grant despite the significant reduction in clients served.



DCFS staff calculated that DBCC was receiving the equivalent of \$1,000 per hour for YSN services.

In addition, investigators learned that the CAYIT portion of the FY 2009 grant included approved consultant costs totaling \$38,000 yet DCFS employee Lee Annes, the CAYIT monitor, was unable to identify any CAYIT consultants. As a result, DBCC represented that it incurred costs of \$38,000 during FY 2009 that it did not incur, but for which it was paid.

## ***6. Failure of DCFS to Properly Audit Dr. Smith's Multiple Grants***

The investigation also revealed that even though DBCC submitted independent audits of DCFS grants, DCFS was unable to determine it overpaid DBCC until years after grant periods expired. By letter dated January 12, 2011, DCFS concluded that it *overpaid* DBCC \$243,000 in connection with a \$984,777 grant awarded for 2006-2007. More than three and a half years after the grant period expired, DCFS concluded that it overpaid DBCC by nearly 30%.

As noted above, on April 6, 2011, DCFS Deputy Director and CFO Robert Stanek informed DBCC that DCFS had “identified that DBCC program revenues exceeded program expenditures by [an additional] \$846,436.” The April 6, 2011 letter identified “excess program expenditures” for FYs 2006, 2007, 2008, 2009 and 2010.

The term “excess program expenditures” is misleading. DCFS paid DBCC more than \$1 million over five years for services DBCC represented it performed, but did not. Moreover, the excess revenue determination is based upon paper transactions that erroneously assume DBCC performed services. The failure to discover five years of overpayments only one month after DCFS Director McEwen was interviewed in this investigation is extremely troubling.

## ***7. DCFS Director Erwin McEwen***

### ***a) McEwen Failed to Manage Grant Procedures***

The Chief Executive Officer of each State agency is required to ensure that State funds are spent on legitimate State programs. Per the Fiscal Control and Internal Auditing Act, the Chief Executive Officer is also required to maintain “an effective internal control system.” Chief Executive Officers must also ensure that “grants received or made by the designated State agency . . . are monitored, administered, and accounted for in accordance with applicable laws and regulations.” The internal controls must provide assurance that “funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.”

During this investigation, investigators learned for the first time that Director McEwen and Dr. Smith were personal friends, and that Director McEwen considered Dr. Smith his mentor. It is unclear how Director McEwen’s personal relationship with Dr. Smith affected his ability to perform his duties objectively and impartially.

State rules limit payments for administrative costs, require separation of functions, and further require State agencies to ensure that services are delivered before paying vendors. When

these rules are disregarded or when personal relationships interfere, an atmosphere ripe for exploitation surfaces.

b) Several Dr. Smith Contracts Were Questionable

The investigation revealed that several of the grants should have been evaluated before they were awarded to Dr. Smith business entities. The Students at Risk grant appeared to have been flawed from the start in the following ways: there were no measurable deliverables; and the Program Plan did not provide service to DCFS wards even though it was funded from an appropriation code federally mandated to serve foster children. Investigators discovered that DCFS personnel learned that DBCC did not even identify DCFS wards, but did nothing about it. In addition, the investigation reveals that Director McEwen was either aware of or ignored the fact that the program was not being monitored. Yet, despite this knowledge and the numerous red flags, he allowed the lack of monitoring to continue, leaving DCFS in a vulnerable position and creating the implicit culture that monitoring these contracts was not critical.

The three “fiscal agent” contracts, the PACT grant and the Youth Stabilization Network portion of the YSN/CAYIT contract also raise serious questions about why Dr. Smith’s organization was awarded the contracts. There is also no demonstration or explanation of the need for or expected duties of DBCC as fiscal agent, or why DBCC located in Chicago was selected to act as a “fiscal agent” for agencies in central Illinois. In addition, DCFS records do not disclose whether anyone considered other administrative expenses or alternatives when DCFS agreed to pay DBCC a 15% fiscal agent fee. Assuming DBCC performed legitimate functions, \$88,000 per year (15% x \$592,000) for essentially bookkeeping services does not appear to be an efficient use of State resources. In fact, the investigation reveals that Dr. Smith was clearly a poor “fiscal agent” choice for a number of reasons.

Although the Psychiatry for Adolescents and Children in Transition (PACT) contract was eventually terminated, it was only because DCFS employee Dr. Cynthia Tate discovered numerous improprieties, and only after DCFS learned that DBCC had rendered deficient services to DCFS wards.

Importantly, Director McEwen stated that he agreed to award DBCC the PACT grant, because former DCFS Velma Williams initiated the grant process. Director McEwen thought Ms. Williams was going to be appointed Director of DCFS, and he did not want to make any “waves” by disagreeing with her. Director McEwen’s actions (or inactions) were inappropriate, and he seemed to have chosen his personal interests over his duties and responsibilities to DCFS and its wards.

c) Director McEwen Failed in Prior Monitoring Position

Certain DCFS grants awarded to Dr. Smith were essentially unmonitored until DCFS employee Kevin Walsh began asking questions about the Students at Risk Contract in March 2009, years after the grants were initially awarded to DBCC. It appears as though these contracts were developed and allowed to continue for years unchecked, without identification of obvious problems. Much of the responsibility for the lack of monitoring falls on the shoulders of Director McEwen. In 2005 and 2006, he was the DCFS Deputy Director in charge of Purchase of Service Monitoring. In that position, he was the only program monitor of Dr. Smith’s

contracts until March 2007, when others had to advise him that continued monitoring could constitute a conflict of interest. Despite his position as then Deputy Director of Monitoring, he stated that he saw his job more as developing these particular contracts rather than monitoring them. When asked questions about the grant monitoring process, Director McEwen said: "I don't know the entire process on how contracts move from start to the beginning of service," and "I rely on the DCFS general counsel's assistance and the DCFS budget and finance section for assistance."

d) Director McEwen Failed To Act Appropriately

Even after Director McEwen's name was removed from DCFS records as the monitor of the Students at Risk grant in March 2006, he failed to ensure that appropriate monitoring was in place. He became aware that DCFS employee Ken Broady was having problems getting Dr. Smith to respond. However, despite his relationship with Dr. Smith and his absolute control over the contracts, he failed to intercede to ensure DBCC compliance and failed to enforce the terms of the grants. Had Director McEwen interceded, he could have ended DCFS's relationship with Dr. Smith several years ago, presumably saving the State millions of dollars. Director McEwen created a situation that was ripe for a vendor such as Dr. Smith to enrich himself and inflate costs by billing for "ghost" positions and billing various agencies for the same services.

The multiple failures by DCFS staff clearly reflect that as Chief Executive Officer of DCFS, Director McEwen failed to make certain that there were effective internal controls over DCFS grants awarded and the manner in which State funds are used. In addition, it is clear that DCFS lacks sufficient controls to safeguard against waste, loss, unauthorized use and misappropriation. When asked, Director McEwen said he did not know what procedures DCFS had in place to ensure a Program Plan is executed.

Throughout his interview sessions, Director McEwen repeatedly stated that his staff let him down, or his staff made mistakes or that he had to rely on his staff. As Director of DCFS, and by law, Director McEwen is the individual responsible for ensuring DCFS funds and DCFS wards are adequately safeguarded.

Based upon the above facts, the investigation reveals that Director Erwin McEwen did not ensure that State funds were spent on legitimate State programs and as such:

- The allegation that Director McEwen failed to be "responsible for effectively and efficiently managing the agency and establishing and maintaining an effective system of internal control," in accordance with the Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/1002, is **FOUNDED**.
- The allegation that Director McEwen failed in his responsibility "to ensure that "grants received or made by the designated State agency . . . are monitored, administered, and accounted for in accordance with applicable laws and regulations" in accordance with the Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/2003(a)(2)(B), is **FOUNDED**.

- The allegation that Director McEwen failed in his responsibility to make certain there are “internal controls” so as to provide assurance that “funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation” in accordance with the Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001(3), is **FOUNDED**.

#### **D. DCFS Director Erwin McEwen Fails to Cooperate**

During the course of this investigation, OIG-DCFS and OEIG investigators interviewed Director McEwen on February 17 and 28, 2011. The interviews were not completed because of time constraints.

During the time investigators were trying to arrange a mutually convenient time to reconvene Director McEwen’s interview, investigators continued to interview other individuals. Below is a list of individuals interviewed after *February 28, 2011* and the dates of their interviews:

- March 7, 2011:** Darlene Cannon  
DCFS Business Manager
- March 8, 2011:** Dr. Cynthia Tate  
DCFS Deputy Director for the Division of Clinical Services
- March 10, 2011:** Donna Kazragis  
DCFS Cook County Shelter Coordinator
- March 14, 2011:** Daniel Fitzgerald  
DCFS Deputy Director of Service Intervention
- March 14, 2011:** Shelly Banks  
DCEO Manger of the Accountability Program
- March 18, 2011:** Vanessa Rich  
City of Chicago, Deputy Commissioner of Family & Support Services
- March 24, 2011:** Carolyn Sain  
DBCC Fiscal Specialist
- April 21, 2011:** Sharon Brown-Haynes  
Chicago Public Schools Principal, Lewis School
- April 25, 2011:** Janet McKeown  
DCFS Reimbursement Specialist
- May 6, 2011:** Robert Stanek  
DCFS Chief Financial Officer

After the above listed individuals were interviewed, it became clear to investigators that there were numerous other areas of inquiry that could only be addressed by Director McEwen. For example, in addition to numerous subject areas which investigators did not have time to question Director McEwen about during his first two interviews, as well as the various documents investigators were unable to show and question Director McEwen about, investigators were also unable to ask Director McEwen about the following:

- if he was aware that children being treated under the PACT contract had not been provided with the correct dosage because Dr. Smith's clinic did not possess a scale;
- if he was aware that Ms. Kazragis and Lee Annes had not been provided a copy of the YSN or CAYIT contract she was obligated to monitor per the DCFS contract he signed;
- if Deputy Director Fitzgerald informed him about issues relating to Dr. Smith's failure to produce documentation under the FY 2009 Students at Risk contract; and,
- if he was aware that excess revenue determinations for Dr. Smith's contract had not been conducted in timely manner.

The investigation reveals that DCFS Director McEwen made a unilateral decision to no longer meet with the investigators, even though as a State employee he knew that he was required to cooperate.

Director McEwen claimed that he had had "two exhaustive interviews" and felt that he had "fully cooperated with [the OEIG] investigation." Yet, the Ethics Act confers upon the OEIG the discretion to determine the appropriate means of investigation as permitted by law. *See* 5 ILCS 430/20-20(1). The OEIG informed Director McEwen of his rights in writing and provided him with an opportunity to schedule a mutually convenient time to meet, but despite all of this he still refused to cooperate. In fact, as of the date before the issuance of this report (May 25, 2011) neither Director McEwen nor his counsel made any further communication with the OEIG.

Based upon the above facts, the allegation that DCFS Director Erwin McEwen has failed to cooperate with OEIG investigators in violation of the State Officials and Employees Ethics Act, 5 ILCS 430/20-70, is **FOUNDED**.

#### **E. Chicago State University Staff Failed to Monitor FY 2009 Grant to the IPCFD**

In FY 2009, Chicago State University (CSU) received a \$1,000,000 grant from the City of Chicago to perform Head Start Support Services. At least a portion of the \$1,000,000 grant funds were federal funds, but that amount also included Illinois Department of Human Services funds. CSU sub-granted \$950,000 of the funds to the IPCFD.

The investigation revealed that CSU staff did not conduct any monitoring of the \$950,000 grant it awarded to the IPCFD, because it considered the grant a "pass through" grant. Even though former CSU Associate Vice President, Sponsored Programs Dr. Ken Koroma described this grant as "unique," the City of Chicago clearly contemplated that CSU would monitor the

grant, which CSU did not. Despite Dr. Koroma's claim that CSU was not required to do anything other than collect invoices and request payment from the City of Chicago, the investigation revealed that CSU was obligated to monitor the contract. Nonetheless, Dr. Koroma repeatedly signed invoices without verifying whether services were delivered.

Based upon the above facts, the allegation that Chicago State University did not comply with the terms of its contract with the City of Chicago is **FOUNDED**.

Based upon the above facts, the allegation that Dr. Ken Koroma did not comply with the terms of CSU's contract with the City of Chicago is **FOUNDED**.

In addition to not monitoring the FY 2009 \$950,000 grant, CSU Interim Associate Vice President for the Office of Grants and Research Administration Dr. Yvonne Harris admitted she signed a false certification. Dr. Harris confirmed that she signed an "In-Kind" federal matching report wherein she certified, "as an officer of this agency, that this in-kind report represents documented in-kind goods and or services in conformance with Head Start regulations and that the documentation is on file and will be available for audit or review," even though the certification was not true.

Based upon the above facts, the allegation that CSU Interim Associate Vice President for the Office of Grants and Research Administration Dr. Yvonne Harris executed a false certification is **FOUNDED**.

#### **F. DCEO Grant Awarded to DBCC**

The investigation revealed that DBCC may not have provided services entitling it to retain the entire Illinois Department of Commerce and Economic Opportunity (DCEO) FY 2010-2011 \$450,000 legislative initiative member grant it (DBCC) was awarded. During the monitoring of the DBCC grant DCEO Contracts Manager Shelly Banks was able to successfully review and discover documents Dr. Smith produced which were "very questionable." Certain documents provided to DCEO included receipts for expenses that are not reimbursable under the terms of the DCEO grant, including: receipts for the purchase of alcohol; receipts for office printers; and receipts for cable television. To its credit, DCEO never approved reimbursement for any of the above listed items, and was able to force DBCC to refund \$356,000 of the \$450,000 in grant funds that DBCC had already received.

Investigators understand that DCEO's legal department is attempting to determine what, if any, services DBCC did provide that would entitle DBCC to retain any of the remaining \$94,000 of the \$450,000 grant funds, and in light of the fact that neither Dr. Smith nor his employees have agreed to cooperate, investigators recommend that DCEO seek the return of the \$94,000 in grants funds not yet refunded by DBCC.

#### **G. Illinois State Board of Education Grant**

Investigators found that Dr. Smith also received a \$342,000 FY 2009 ISBE grant, but that the grant was not appropriately monitored. According to ISBE Consultant Janice Thornhill, although an ISBE employee did conduct a DBCC site visit, she never verified whether DBCC provided any services, and she was not aware of any additional monitoring of the DBCC by ISBE. In addition, it was unclear whether DBCC ever provided ISBE grant services at Lewis

School. In fact, based upon the personal relationship between Dr. Smith and Chicago Public Schools Principal Sharon Brown-Haynes<sup>46</sup> it is unclear if services provided under the ISBE grant were actually services Dr. Smith was providing under a different grant. The investigation also revealed that Dr. Smith produced the same documents purporting to show it provided services under more than one grant, including the ISBE grant.

Investigators recommend that ISBE seek a full refund of the funds Dr. Smith was paid under the \$342,000 FY 2009 ISBE grant.

#### **H. Non-reviewed State Agency Contracts and Dr. Smith's Failure to Cooperate**

The investigation relating to Dr. Smith and the various business entities he owned or controlled was limited for a number of reasons, most of which stem from time constraints and non-cooperation of witnesses. Accordingly, not all of the grants or contracts that Dr. Smith was awarded have been fully investigated. The OIG-DCFS and OEIG non-investigation does not suggest that investigators believe that Dr. Smith did in fact comply with the terms of those contracts. In fact, investigators were prepared to question Dr. Smith about other contracts and services that he or his employees purportedly provided other grants set out in the above charts, but because of his refusal to cooperate, were unable to do so.

In addition, during this investigation, it became clear that even though Dr. Smith refused to cooperate with investigators, he inexplicably continued to communicate with DCFS staff. For example, on May 6, 2011, DCFS Chief Financial Officer Robert Stanek informed investigators that DCFS had recently contacted Dr. Smith in order to conduct an audit of DBCC. However, in light of the fact that Dr. Smith violated the Illinois False Claims Act, multiple terms of the DCFS grant contracts, including his obligation to cooperate, investigators see no legitimate reason why DCFS would need to conduct an audit. In addition, it is unclear that any audit could discover the full extent of the activities of Dr. Smith, given that he provided services to multiple agencies in the same fiscal year under separate business entities. Moreover, in light of Dr. Smith's questionable and illegal prior pattern of conduct, in which he has submitted fraudulent documentation to investigators and State agencies there is little doubt he would again submit false documents in an effort to retain State funds already received.

#### **I. OIG-DCFS AND OEIG JOINT INVESTIGATIVE EFFORTS**

During the course of this investigation, OIG-DCFS and OEIG investigators were able to uncover a substantial amount of Dr. Smith's illegal conduct. However, despite the extensive investigation and countless number of interviews conducted, it is clear that investigators were unable to discover all of Dr. Smith's misconduct. Initially, OIG-DCFS investigators quickly

---

<sup>46</sup> Sharon Brown-Haynes Principal of Lewis School worked as a consultant for DBCC and reported earning a total of \$30,000-\$50,000 during that time but did not complete a Secondary Employment Notification form to report this outside employment to the Chicago Board of Education. In addition, Ms. Brown-Haynes stated she selected a Dr. Smith business (MPI) to provide "Least Restrictive Environment" services to Lewis School children even though she had a close personal relationship with Dr. Smith that included receiving regular free meals from Dr. Smith as well as receiving sporting events free of charge. Investigators will refer these matters to the Office of Inspector General for the Chicago Board of Education.

determined that Dr. Smith's conduct extended beyond its jurisdiction (OIG-DCFS) and timely contacted the OEIG so that the two agencies could conduct a joint investigation. The fact that the OEIG has jurisdiction over 40 State agencies allowed investigators to successfully discover multiple acts of Dr. Smith's misconduct.

Investigators would note however, that Dr. Smith was able to perpetuate his fraud not only because of his personal relationship with a State employee, but because his business entities have both similar sounding names (DBCC Organization and Diversified Inc.), as well as different sounding names (Management Planning Institute and the Institute for Positive Child and Family Development). Investigators have no doubt that Dr. Smith's four business entities were intentionally created in order to confuse State agencies and conceal the fact that more than one of Dr. Smith's business entities was performing nearly the exact and sometimes the same services but being paid under multiple grants. In addition, Dr. Smith's ownership interest in a real estate company (Ed's Investments) which owned one of his business entity locations also successfully allowed him to conceal his activities and obtain State funds he was not otherwise entitled to receive.

## **XVII. OIG-DCFS AND OEIG FINDINGS AND RECOMMENDATIONS**

Based upon the investigation, OIG-DCFS and OEIG make the following **FINDINGS**:

- **FOUNDED:** Dr. George E. Smith violated the Illinois False Claims Act by knowingly presenting to investigators documents containing forged signatures to support Diversified Inc.'s prior receipt of State DHS—DASA funds for services allegedly provided by: 100 Black Men, Dreamcatcher Foundation and Alliance for Community Peace.
- **FOUNDED:** Dr. George E. Smith violated the Illinois False Claims Act by knowingly presenting to investigators false or fraudulent Client Verification Sheets in support of Diversified Inc.'s prior receipt of DHS—DASA grant funds for after-school services at Langston Hughes.
- **FOUNDED:** Dr. George E. Smith violated the Illinois False Claims Act when he submitted two budgets that allowed him to conceal the fact that DBCC retained \$158,000 annually in connection with the Family and Community Resource Center contract.
- **FOUNDED:** Dr. George E. Smith violated the Illinois False Claims Act when he submitted and accepted payment for a YSN Therapist that he was not entitled to receive.
- **FOUNDED:** Dr. George E. Smith violated the Illinois False Claims Act when he submitted and accepted payment for a CAYIT consultant that he was not entitled to receive.
- **FOUNDED:** Dr. George E. Smith violated the False Claims Act when he submitted and accepted payment for rental fees he was not entitled to receive.
- **FOUNDED:** Dr. George E. Smith violated the Illinois False Claims Act when he accepted payment for Pleshette Hamb's salary that he was not entitled to receive.



- **FOUNDED:** Dr. George E. Smith violated Ill. Admin. Code tit. 89 § 356.50(c) when he retained more than 20% administrative fees he was entitled to receive under the law.
- **FOUNDED:** Dr. George E. Smith violated the terms of his contracts by failing to properly account for grant funds resulting from commingling of funds, undocumented loans and the purchase of sports tickets.
- **FOUNDED:** Dr. George E. Smith committed perjury when he falsely represented himself to be a psychiatrist on Form AG990-IL.
- **FOUNDED:** Dr. George E. Smith violated Ill. Admin. Code tit. 89 § 430 and the terms of his contracts by failing to cooperate with the OIG investigation.
- **FOUNDED:** DCFS employee Darlene Cannon violated the State Finance Act and Ill. Admin. Code tit. 89 § 360.6(e) when she certified that goods and services had been received while knowing that no documentation had been submitted showing that goods and services were, in fact, delivered.
- **FOUNDED:** DCFS employee Frances Elbert violated Ill. Admin. Code tit. 89 §§ 385 and 360.6(e) by authorizing payments without supporting documentation and by failing to take action after learning that DBCC did not perform background checks on its staff who had contact with children.
- **FOUNDED:** DCFS employee Daniel Fitzgerald violated the State Finance Act and Ill. Admin. Code tit. 89 § 360.6 when he certified that goods and services had been received while knowing that no documentation had been submitted showing that goods and services were, in fact, delivered.
- **FOUNDED:** DCFS Director Erwin McEwen violated the Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/1002, when he failed to be “responsible for effectively and efficiently managing the agency and establishing and maintaining an effective system of internal control.”
- **FOUNDED:** DCFS Director Erwin McEwen violated the Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/2003(a)(2)(B), when he failed in his responsibility to ensure that grants received or made by the designated State agency . . . are monitored, administered, and accounted for in accordance with applicable laws and regulations.
- **FOUNDED:** DCFS Director Erwin McEwen violated the Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001(3), when he failed to ensure that there are “internal controls” to assure that “funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.”
- **FOUNDED:** DCFS Director Erwin McEwen violated the State Officials and Employees Ethics Act, 5 ILCS 430/20-70, when he failed to cooperate with the DCFS-OIG and OEIG investigation.

- **FOUNDED:** Chicago State University violated the terms of its contract with the City of Chicago by failing to monitor the Institute for Positive Child and Family Development, Inc. grants.
- **FOUNDED:** Former Chicago State University Associate Vice President Dr. Ken Koroma violated the terms of CSU's contract with the City of Chicago by failing to monitor the IPCFD grants.
- **FOUNDED:** Chicago State University Interim Associate Vice President for the Office of Grants and Research Administration Dr. Yvonne Harris knowingly executed a false certification.

Based upon this investigation, the OIG-DCFS and the OEIG make the following joint Recommendations:

### **Civil Recovery and Criminal Prosecution**

The State of Illinois should seek civil recovery and criminal prosecution for fraudulent billing practices outlined in this report from Dr. George E. Smith or any business entity in which he has or held an ownership interest that received State funds pursuant to a grant or contract.

The State of Illinois should permanently bar Dr. George E. Smith and any business entity in which he has or acquires an ownership interest from ever being awarded a State grant or contract.

### **Refund of Awarded Grant or Contract Funds**

The State of Illinois and every State agency that has awarded Dr. George E. Smith or any of his business entities a grant or contract – in particular the Illinois Department of Children and Family Services, Chicago State University, the Illinois State Board of Education and the Department of Human Services – should take immediate and appropriate action to acquire a refund of any and all grant funds to which they are entitled under the law.

The State of Illinois should take appropriate action to prohibit the distribution of State funds by any other entity that might provide such funds – including the City of Chicago and the Department of Human Services funds – to Dr. George E. Smith or any business entity in which he has or acquires an ownership interest.

### **Ensure Compliance with State Law by DCFS**

The Governor and his advisor on Child Welfare issues should review DCFS Director Erwin McEwen's actions and inactions as outlined in this Report and take whatever action they deem appropriate to ensure the Illinois Department of Children and Family Services is managed in compliance with State law requirements.

### **Disciplinary Action Related to DCFS Deputy Director Daniel Fitzgerald**

Deputy Director Daniel Fitzgerald should be disciplined for his approval of the fourth-quarter FY 2009 \$112,500 payment to DBCC and other actions or inactions as outlined in this Report.

### **Disciplinary Action Related to DCFS Deputy Director Frances Elbert**

Frances Elbert should be disciplined for her failure to discharge the duty of supervisor by verifying that goods and services were delivered prior to allowing Darlene Cannon to sign and process a FY 2009 fourth-quarter payment under the Students at Risk Contract, as well as for her failure to ensure that DBCC completed criminal background checks.

### **Disciplinary Action Related to DCFS Business Manager Darlene Cannon**

Darlene Cannon should be disciplined for signing and processing the FY 2009 fourth-quarter payment to DBCC without verifying that any goods and services had been received.

### **Disciplinary Action Related to Chicago State University Interim Dean Dr. Yvonne Harris**

Chicago State University Interim Dean Dr. Yvonne Harris should be disciplined for signing a false certification.

### **Implementation of Illinois Department of Children and Family Services Procedure**

The Illinois Department of Children and Family Services should implement the following safeguards to their training and procedures:

1. Vendors, grantees and contractors should be required to disclose all public contracts held by related parties in the Consolidated Financial Report (CFR). Instructions to the CFR should require contractors to report public funding of affiliates and related entities. Vendors, grantees and contractors should also be obligated to provide a description of programs supported by the public funding.
2. Grants, contracts, program plans and independent audits should be electronically scanned, stored in a central location and made accessible to program and financial monitors for review.
3. DCFS contract and financial monitoring training must be required for all DCFS program and financial monitors, as well as those reviewing annual audits, within three months of receipt of a contract monitoring assignment and every two years thereafter. Training should emphasize that the Program Monitor's *chief duty* is to verify, by personal knowledge, the receipt of goods and services provided.

Any training should address, at minimum:

- General grant monitoring responsibilities;
- Audits including comparison of audit figures with approved budgets and related responsibilities;
- Approval of Quarterly Reports and related responsibilities;
- Rules and procedures regarding under spending and related responsibilities;

- Rules and procedures regarding disallowable costs and related responsibilities;
- Rules and procedures regarding reduction in grant amounts responsibilities;
- Rules and procedures regarding excess revenue and allowable offset and related responsibilities; and
- Rules and procedures involving inquiries into expenses to related entities and related responsibilities.

In addition, all DCFS Program Monitors should be required to certify that:

- the report of direct versus administrative expenses has been verified and is appropriately allocated;
- the Program Monitor has considered whether to reduce future contract or grant amounts based on under-spending or disallowable costs;
- the quarterly reports have been reviewed and compared to the budget; and
- the Program Monitor has reviewed and approved leases supporting rental costs.

On a biannual basis, each DCFS Deputy Director must submit to the DCFS Director and the DCFS Division of Budget and Finance, a list of each contract monitored by his or her division and listing the program monitor assigned to each individual contract. The DCFS Division of Budget and Finance should be required cross-check the list to ensure that all contracts are assigned a Program Monitor, and also to ensure that all Program Monitors receive the required Contract Monitoring Training. Every six months the DCFS Division of Budget and Finance should be required to forward to the DCFS Office of the Inspector General a list of any unmonitored contracts.



**OFFICE OF EXECUTIVE INSPECTOR GENERAL**  
for the Agencies of the Illinois Governor  
*Ricardo Meza, Executive Inspector General • [www.inspectorgeneralillinois.gov](http://www.inspectorgeneralillinois.gov)*

**OEIG RESPONSE FORM**

Case Number: 10-01182

**Due 20 Days after Receipt of Report**

Please check the box that applies.

- ☐ We have implemented all of the OEIG recommendations:  
(Provide details regarding action taken.)

---

---

---

---

---

---

---

---

- ☒ We are implementing the OEIG recommendations however, we seek to deviate as follows:

(Provide details regarding action planned / taken and proposed alternate(s).)  
See attached.

---

---

---

---

---

---

---

---

- ☐ We do not wish to implement any of the OEIG recommendations and seek to deviate as follows:

(Explain why and provide details of alternate plan.)

---

---

---

---

---

---

---

---

---

---

Signature

John Schomberg

Print Name

General Counsel, Office of the Governor  
Print Agency and Job Title

8/1/11  
Date

Return to Sherry Bult, Office of Executive Inspector General, 32 W. Randolph St.  
Chicago, Illinois 60601

**ADDENDUM TO OEIG RESPONSE FORM IN CASE NO. 10-01182**

On behalf of both the Office of the Governor (OOG) and the Department of Children and Family Services (DCFS), the OOG has the following alternate plan to address the issues identified in the OEIG's Final Report in Case No. 10-01182:

1. OEIG Recommendation: Civil Recovery and Criminal Prosecution- The State of Illinois should seek civil recovery and criminal prosecution for fraudulent billing practices outlined in this report from Dr. George E. Smith or any business entity in which he has or held an ownership interest that has received State funds pursuant to a grant or contract.

The State should permanently bar Dr. George E. Smith and any business entity in which he has or acquires an ownership interest from ever being awarded a State grant or contract.

OOG Response: The OOG agrees with the OEIG's recommendation. The OOG is referring this report to the Office of the Attorney General (OAG) to allow the OAG to pursue Dr. Smith for violating the Illinois False Claims Act. The OOG will work with the OEIG on referral for criminal prosecution.

The OOG agrees that Dr. Smith and any business entities he owns should be permanently barred from ever being awarded a State grant or contract. DCFS has already terminated all grants entered into by the agency with Dr. Smith or his business entities. DCFS intends to take any affirmative steps necessary to bar Dr. Smith from being awarded any future contracts or grants. The OOG will ensure that Dr. Smith is banned from receiving any future grants or contracts from any agency that reports to the Governor.

2. OEIG Recommendation: Refund of Awarded Grant or Contract Funds- The State of Illinois and every State agency that has awarded Dr. George E. Smith or any of his business entities a grant or contract—in particular the Illinois Department of Children and Family Services, Chicago State University, the Illinois State Board of Education and the Department of Human Services—should take immediate and appropriate action to acquire a refund of any and all grant funds to which they are entitled under the law.

The State of Illinois should take appropriate action to prohibit the distribution of State funds by any other entity that might provide such funds – including the City of Chicago and the Department of Human Services funds—to Dr. George E. Smith or any business entity in which he has or acquires an ownership interest.

OOG response: The OOG agrees with the OEIG's recommendation. The OOG is referring this matter to the OAG in order to seek grant recovery, on behalf of DCFS and any other affected State agencies, under the Grant Funds Recovery Act, 30 ILCS 705.

Furthermore, the OOG will work with the OEIG to provide appropriate notice to the City of Chicago and to the Chicago Board of Education that Dr. Smith and his business entities have been barred from any current or future State grants and contracts, that State monies should not be used to fund the same at the City level, and to encourage the City to end all grants and contracts it might have with Dr. Smith and his business entities.

3. OEIG Recommendation: Ensure Compliance with State Law by DCFS- The Governor and his advisor on Child Welfare issues should review DCFS Director Erwin McEwen's actions and inactions as outlined in this Report and take whatever action they deem appropriate to ensure the Illinois Department of Children and Family Services is managed in compliance with State law requirements.

OOG Response: Director McEwen will be leaving State service on or about August 31, 2011.

4. OEIG Recommendation: Disciplinary Action Related to DCFS Deputy Director Daniel Fitzgerald- Deputy Director Daniel Fitzgerald should be disciplined for his approval of the fourth-quarter FY 2009 \$112,500 payment to DBCC and other action or inactions as outlined in this Report.

OOG Response: The OOG agrees with the OEIG's recommendation. The OOG is referring this matter to DCFS Deputy Director of Employee Services Michelle Jackson for recommended disciplinary action in the form of a written reprimand and corrective counseling.

5. OEIG Recommendation: Disciplinary Action Related to DCFS Associate Deputy Director Frances Elbert- Frances Elbert should be disciplined for her failure to discharge the duty of supervisor by verifying that goods and services were delivered prior to allowing Darlene Cannon to sign and process FY 2009 fourth quarter payment under the Students at Risk contract, as well for her failure to ensure that DBCC completed criminal background checks.

OOG Response: The OOG agrees with the OEIG's recommendation. The OOG is referring this matter to DCFS Deputy Director of Employee Services Michelle Jackson for recommended disciplinary action in the form of a 5 day suspension



and corrective counseling. In particular, Ms. Elbert should be suspended for potentially endangering the lives of DCFS youth by not ensuring that background checks were being performed.

6. OEIG Recommendation: Disciplinary Action Related to DCFS Business Manager Darlene Cannon- Darlene Cannon should be disciplined for signing and processing the FY 2009 fourth-quarter payment to DBCC without verifying that any goods and services had been received.

OOG Response: The OOG agrees with the OEIG's recommendation. The OOG is referring this matter to DCFS Deputy Director of Employee Services Michelle Jackson for recommended disciplinary action, in the form of a written reprimand and corrective counseling.

7. OEIG Recommendation: Implementation of Illinois Department of Children and Family Service Procedure- The Illinois Department of Children and Family Services should implement the following safeguards to their training and procedures:

1. Vendors, grantees and contractors should be required to disclose all public contracts held by related parties in the Consolidated Financial Report (CFR). Instructions to the CFR should require contractors to report public funding of affiliated and related entities. Vendors, grantees and contractors should also be obligated to provide a description of programs supported by the public funding.
2. Grants, contracts, program plans and independent audits should be electronically scanned, stored in a central location and made accessible to program and financial monitors for review.
3. DCFS contract and financial monitoring training must be required for all DCFS program and financial monitors, as well as those reviewing annual audits, within three months of receipt of a contract monitoring assignment and every two years thereafter. Training should emphasize that the Program Monitor's chief duty is to verify, by personal knowledge, the receipt of goods provided.

Any training should address, at minimum:

- General grant monitoring responsibilities;
- Audits including comparison of audit figures with approved budgets and related responsibilities;
- Approval of quarterly reports and related responsibilities;

- Rules and procedures regarding disallowable costs and related responsibilities;
- Rules and procedures regarding reduction in grant amounts responsibilities;
- Rules and procedures regarding excess revenue and allowable offset and related responsibilities; and
- Rules and procedures involving inquiries into expenses to related entities and related responsibilities.

In addition, all DCFS Program Monitors should be required to certify that:

- the report of direct versus administrative expenses has been verified and is appropriately allocated;
- the Program Monitor has considered whether to reduce future contract or grant amounts based on under-spending or disallowable costs;
- the quarterly reports have been reviewed and compared to the budget; and
- the Program Monitor has reviewed and approved leases supporting rental costs.

On a biannual basis, each DCFS Deputy Director must submit to the DCFS Director and the DCFS Division of Budget and Finance, a list of each contract monitored by his or her division and listing the program monitor assigned to each individual contract. The DCFS Division of Budget and Finance should be required to cross-check the list to ensure that all contracts are assigned a Program Monitor, and also to ensure that all Program Monitors receive the required Contract Monitoring Training. Every six months, the DCFS Division of Budget and Finance should be required to forward to the DCFS Office of the Inspector General a list of any unmonitored contracts.

OOG Response: The OOG agrees with the recommendation that DCFS needs to continue to add safeguards to its training and procedures. The OOG will work with DCFS to meet these objectives, including ensuring that there is monitor training and centrally- and electronically-stored grant information. The OOG anticipates that this alternate plan will be similar to—and certainly have the same goals as—the detailed operational plan laid out by the OEIG. That being said, the OOG and DCFS have devised and will continue to work on their own, albeit similar, operational plan.

In preparing its response to this report, the OOG met with Director Mc Ewen, DCFS General Counsel Dixie Peterson, and DCFS Chief Financial Officer Robert Stanek to discuss the DCFS grant process, recent improvements, and next steps. DCFS is centralizing its grant and contract monitoring function to create a new, stand-alone Contract division. The leader of this new division is DCFS's newly-

hired Agency Procurement Officer, Debra Matlock, who previously served as the Director of Contract Administration for the Department of Human Services, as General Counsel for the State's Department of Central Management Services, and as the Director of Contracts for both Motorola, Inc. and Rockwell Automation. Integral to these centralization efforts is the building and maintaining of a grant database that will be designed to act as an internal safeguard that aids all DCFS employees, from grant monitors to the agency director, by tracking a grant's life cycle—from its genesis to its quarterly reports to its close-out. Such a database will also be used to ensure that each grant is monitored and that deliverables are both clearly delineated and specifically provided. DCFS agrees that scanning grant-related documents and having resulting electronic files will allow for better tracking. DCFS plans on incorporating electronic and central storage into the implementation of its agency-wide database.

The OOG will work with DCFS to ensure that an incoming and continuing contract monitoring training program is developed, implemented and executed. The program will address most, if not all, of the recommendations provided in this report and will primarily focus on the comparison and reconciliation of financial reports, and an open and mandatory communication structure in which multiple levels and functions within DCFS know when a grant monitoring irregularity arises.

If there are any questions regarding the responses, above, please feel free to call the Governor's General Counsel John Schomberg, at (312) 814-1687.



## OFFICE OF THE GOVERNOR

JRTC, 100 W. RANDOLPH, SUITE 16-100  
CHICAGO, ILLINOIS 60601

**PAT QUINN**  
GOVERNOR

### **CONFIDENTIAL**

VIA U.S. MAIL and E-MAIL

August 26, 2011

Ms. Caty Bautista  
Executive Assistant to the Executive Inspector General  
Office of the Executive Inspector General  
32 W Randolph Street, Suite 1900  
Chicago, IL 60601

**Re: Supplemental Response to Final Report in OEIG Case No. 10-01182**

Dear Ms. Bautista:

In follow-up to my phone conversation, yesterday, with Office of the Executive Inspector General ("OEIG") Chief of Staff and General Counsel Cole Kain, this letter is to supplement the Office of the Governor's ("OOG") August 1, 2011 response on behalf of the OOG and the Department of Children and Family Services ("DCFS") to the OEIG's Final Report in Case No. 10-01182. In order to allow sufficient time for agency transition, DCFS Director McEwen will now be leaving State service on or about September 30, 2011. The same is reflected in a press release issued yesterday, August 25, 2011, by DCFS.

Please let us know if you have any questions or if we can provide any additional information.

Sincerely,

~~John F. Schomberg~~  
General Counsel  
312-814-1687

cc: Jack Lavin, Chief of Staff, OOG (via email)  
Cole S. Kain, Chief of Staff and General Counsel, OEIG (via email)  
Denise Kane, Inspector General, DCFS (via email)

# CHICAGO STATE UNIVERSITY

Office of Labor & Legal Affairs

9501 S. King Drive / ADM 318  
Chicago, Illinois 60628-1598  
TEL 773.995.2462 FAX 773.995.3585

August 1, 2011

*Sent Via Electronic Mail and U.S. Mail*

Sherry Bult  
Office of Executive Inspector General  
For the Agencies of the Illinois Governor  
32 West Randolph, Chicago, IL 60601

**RE: OEIG Case No. 10-01182 and OIG-DCFS Case No. 10-IG-2622**

Dear Ms. Bult:

Attached, please find Chicago State University's Response to the findings as indicated in the above-referenced case.

Sincerely,

Robin M. Hawkins  
Associate General Counsel

*Scholarship & Responsibility*



**OFFICE OF EXECUTIVE INSPECTOR GENERAL**  
for the Agencies of the Illinois Governor

*Ricardo Meza, Executive Inspector General • [www.inspectorgeneral.illinois.gov](http://www.inspectorgeneral.illinois.gov)*

**OEIG RESPONSE FORM**

Case Number: 10-01182

**Due 20 Days after Receipt of Report**

Please check the box that applies.

- ☒ We have implemented all of the OEIG recommendations:  
(Provide details regarding action taken.)

SEE ATTACHMENT A

- ☐ We are implementing the OEIG recommendations however, we seek to deviate as follows:

(Provide details regarding action planned / taken and proposed alternate(s).)

- ☐ We do not wish to implement any of the OEIG recommendations and seek to deviate as follows:

**Attachment A**

Chicago State University is implementing all of the OEIG recommendations:

The University is taking action to recover misappropriated grant funds from Dr. Smith. The University is pursuing this action by making a demand to Dr. Smith. The University will also make a formal request to the Office of the Illinois Attorney General to pursue all legal avenues of recourse available in recovering funds misappropriated by Dr. Smith or one of his entities.

The second recommendation that the University will implement is permanently barring the awarding of grants or contracts to Dr. George Smith or entities known to be owned, wholly or in part, by Dr. Smith. All contracts that the University previously held with entities owned by Dr. Smith have not been renewed. Dr. Smith's name and the names of entities in which he is known to hold an interest will be added to the list of vendors who are barred from doing business with the University.

Lastly, the University is taking disciplinary action against Interim Associate Vice President for the Office of Grants and Research Administration for the certification that she executed on January 28, 2011 on behalf of the University. Dr. Harris will receive a one-day suspension.

Wayne D. Watson, Ph.D

Chicago State University  
President

7.29.11  
Date

REVIEWED FOR LEGAL COMPLIANCE

PATRICK B. CABLE, ESQ.  
GENERAL COUNSEL

7/26/11  
DATE



**OFFICE OF EXECUTIVE INSPECTOR GENERAL**  
for the Agencies of the Illinois Governor  
*Ricardo Meza, Executive Inspector General • www.inspectorgeneralillinois.gov*

**OEIG RESPONSE FORM**

Case Number: 10-01182

**Due 20 Days after Receipt of Report**

Please check the box that applies.

- ☐ We have implemented all of the OEIG recommendations:  
(Provide details regarding action taken.)

---

---

---

---

---

---

---

---

- ☒ We are implementing the OEIG recommendations however, we seek to deviate as follows:

(Provide details regarding action planned / taken and proposed alternate(s).)

*See attached.*

---

---

---

---

---

---

---

---

- ☐ We do not wish to implement any of the OEIG recommendations and seek to deviate as follows:



(Explain why and provide details of alternate plan.)

---

---

---

---

---

---

---

---

---

---

Signature

ISBE Ass't Legal Advisor

Print Agency and Job Title

Print Name

Date

Return to Sherry Bult, Office of Executive Inspector General, 32 W. Randolph St.  
Chicago, Illinois 60601

## ISBE RESPONSE TO FINAL REPORT

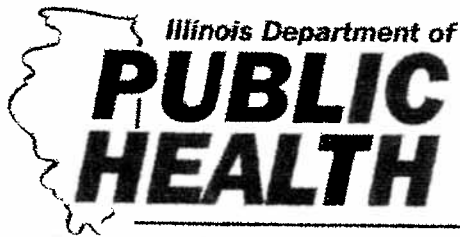
OEIG Case No. 10-01182 and OIG-DCFS 10-IG-2622

- We are implementing the OEIG recommendations, however, we seek to deviate as follows:

ISBE was able to use the findings in the investigative report as a basis for placing a "hold" on the entities that were in our system. We entered notes as to the reason for the holds. The holds will effectively keep the system from issuing any grant payments to these entities. In addition, we have informed the appropriate ISBE division administrators in order to prevent Dr. Smith or any of his organizations from receiving further grant awards.

However, the report did not state that Dr. Smith or any of the entities in question were debarred from contracting or determined to be ineligible by a federal or state agency. ISBE understands the recommendation and continues to review whether there is a basis for barring the award of contracts.

Finally, the report did not make any findings specific to ISBE. Therefore, ISBE will need to take steps to determine whether there was any wrongdoing with respect to our grant and if so, whether recovery is warranted and in what amount. ISBE has reached out to the Attorney General's Office regarding the pursuit of grant funds recovery.



Pat Quinn, Governor

Damon T. Arnold, M.D., M.P.H., Director

122 S. Michigan Ave., Suite 7000 • Chicago, IL 60603-6119 • [www.idph.state.il.us](http://www.idph.state.il.us)

**MEMORANDUM**

TO: Cole S. Kain  
Chief of Staff and General Counsel, OEIG

FROM: Rukhaya AliKhan  
Deputy General Counsel, Ethics Officer, IDPH

CC: Jason R. Boltz  
General Counsel, IDPH

DATE: June 17, 2011

RE: Agency Response to OEIG #10-01182 and 10-OIG-2622

After review of the OEIG's Final Report #10-02282 and #10-OIG-02622, the Illinois Department of Public Health (IDPH) has taken affirmative steps to investigate and review available information to determine whether sufficient grounds exist to initiate grant funds recovery under the Grant Funds Recovery Act (GFRA), 30 ILCS 705. In the event IDPH takes legal action under Section 7 of the GFRA, the Department would provide the grantee an informal hearing to determine the facts and issues to proceed with any formal recovery action under the GFRA. If, based on the available evidence to IDPH, it is determined that DBCC submitted and provided the same set of invoices to two different state agencies, including IDPH, there may be a reasonable basis to believe that grant funds were misspent and/or improperly held. In the interim, until a grant funds recovery action is effectuated, DBCC has already been placed on IDPH's "freeze list," meaning it will no longer qualify for any prospective grants or receive any other pending payments without further Departmental review.

Redacted



***Improving public health, one community at a time***

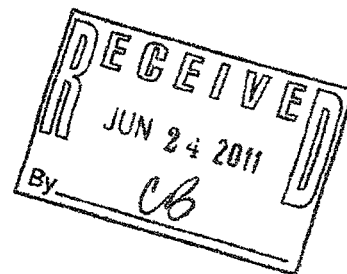
*printed on recycled paper*



Illinois Department of Commerce & Economic Opportunity

Pat Quinn, Governor • Warren Ribley, Director

Cr  
6/20



June 21, 2011

Ricardo Meza  
Executive Inspector General  
32 West Randolph Street, Suite 1900  
Chicago, Illinois 60601  
c/o sherry.bult@illinois.gov

**Re: OEIG Case No. 10-2622 (DBCC)**

Dear Mr. Meza:

DCEO is in receipt of your Final Report in the above-captioned case, dated May 25, 2011. In that report, you made findings that Dr. George E. Smith had misappropriated State monies by submitting false and fraudulent documentation to numerous State agencies; made material misrepresentations to State agencies; and failed to cooperate with a joint investigation conducted by your office and OIG-DCFS. The thrust of your report related to grants made by DCFS to entities controlled by Dr. Smith. However, you also looked into grants made by several other State agencies, including one grant (No. 10-203003) made by DCEO to DBCC (Diversified Behavioral Comprehensive Care). You recommended that DCEO take steps to recover any misappropriated grant funds from Dr. Smith.

As your Final Report recognized, DCEO disbursed \$450,000 to DCBB on December 14, 2010. Because this was considered a "high-risk" grant, DCEO's monitoring unit arranged for a site visit to DCBB in November 2010, before the funds were even disbursed, and continued its monitoring activities in December 2010 and January 2011, after DBCC began disbursing grant funds. On December 20, 2010, because of concerns raised by the monitoring unit, DCEO sent a letter to DBCC suspending its right to expend any more grant funds until DCEO's concerns were addressed. On January 19, 2011, when those concerns had still not been adequately addressed, DCEO sent another letter to DBCC terminating the grant and demanded that it return all of the grant funds.

On January 25, 2011, DBCC delivered a check to DCEO for \$356,232.33. DBCC indicated that it had already expended the remaining \$93,767.67. DCEO continued to work with DBCC, urging it to submit documentation that would justify those expenditures. When DBCC failed to do so, DCEO began proceedings under the Grant Funds Recovery Act to recover the balance. On April 6, 2011, DCEO sent a Formal Notice of Recovery to DCBB. The Grant Funds Recovery Act gives the grantee 35 days to file a written request for an administrative hearing.

[www.ildceo.net](http://www.ildceo.net)

500 East Monroe  
Springfield, Illinois 62701-1643  
217/782-7500 • TDD: 800/785-6055

JAMES R. THOMPSON CENTER  
100 West Randolph Street, Suite 3-400  
Chicago, Illinois 60601-3219  
312/814-7179 • TDD: 800/785-6055

2309 West Main, Suite 118  
Morton, Illinois 62959-1160  
618/997-4394 • TDD: 800/785-6055

Printed on Recycled and Recyclable Paper



## Illinois Department of Commerce & Economic Opportunity

Pat Quinn, Governor • Warren Ribley, Director

but DCBB failed to do so. On May 16, 2011, DCEO referred the matter to the Attorney General's Revenue Litigation Bureau for collection of the remaining balance of \$93,767.67. On June 13, 2011, DCEO received correspondence from the Assistant Attorney General assigned to the matter, asking if DCEO was willing to engage in settlement discussions with Dr. Smith before it filed suit. DCEO responded that it did not believe such discussions would be fruitful and reiterated its request that the Revenue Litigation Bureau file suit. There are no further steps that DCEO can take to recover the funds at this point, and the matter is in the hands of the Attorney General's Office.

You also recommended that DCEO permanently bar Dr. Smith from obtaining any grants or contracts with DCEO in the future. DCEO has placed a FEIN lock on DCBB. As long as that is in place, DCEO will not approve the disbursement of any further funds to DCBB. We are researching whether we can include an electronic note with the FEIN lock that the ban is intended to be permanent pursuant to the recommendation of the OEIG. We do not, however, have a mechanism to bar any organization with whom a particular individual is affiliated.

Sincerely yours,

Gail A. Niemann  
General Counsel and Ethics Officer

cc: Warren Ribley

[www.ildceo.net](http://www.ildceo.net)

500 East Monroe  
Springfield, Illinois 62701-1643  
217/782-7500 • TDD: 800/785-6055

James R. Thompson Center  
100 West Randolph Street, Suite 3-400  
Chicago, Illinois 60601-3219  
312/814-7179 • TDD: 800/785-6055

2309 West Main, Suite 118  
Marion, Illinois 62959-1180  
618/997-4394 • TDD: 800/785-6055

Printed on Recycled and Recyclable Paper

Pat Quinn, Governor



Michelle R.B. Saddler, Secretary

Office of the Secretary  
401 South Clinton Street • Chicago, Illinois 60607  
100 South Grand Avenue East • Springfield, Illinois 62762

June 24, 2011

Mr. Ricardo Meza  
Executive Inspector General  
Office of the Executive Inspector General  
For the Agencies of the Illinois Governor  
32 West Randolph Street, Suite 1900  
Chicago, Illinois 60601

Re: OEIG Case No: 10-01182 and OIG-DCFS Case No. 10-IG-2622

Dear Inspector General Meza:

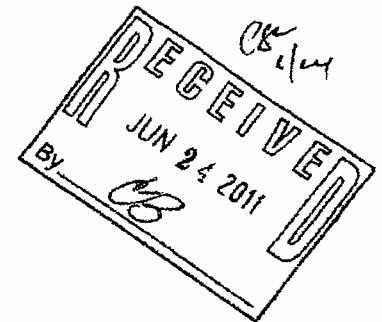
We are in receipt of your letter dated May 25, 2011 enclosing the Final Report issued in the above joint investigation by the Office of the Inspector General for Illinois Department of Children and Family Services and the Office of Executive Inspector General for the Agencies of the Illinois Governor (OEIG). In that report you recommended that the Department of Human Services (DHS) take immediate and appropriate action to acquire a refund of any and all grant funds to which it is entitled as well as permanently bar Dr. George E. Smith or any business entity in which he has or acquires an ownership interest from obtaining any grants or contracts with DHS in the future. DHS accepts your recommendations.

DHS' Chief Financial Officer has reviewed the Final Report, and is in the process of implementing the recommendations of OEIG. DHS takes very seriously its responsibility to administer and monitor funds, whether State or Federal in nature, to ensure that funds are properly spent, and that individuals are accountable for their actions. We will explore every option available under State and Federal law when instances of fraud, waste or abuse of grant funds is discovered.

Thank you for bringing this matter to our attention.

Sincerely,

Michelle R.B. Saddler  
Secretary





RECEIVED  
OCT - 6 2011

IN THE EXECUTIVE ETHICS COMMISSION  
OF THE STATE OF ILLINOIS

EXECUTIVE  
ETHICS COMMISSION

IN RE: ERWIN MCEWEN

) 10-01182

RESPONDENT'S SUGGESTIONS FOR REDACTION / PUBLIC RESPONSE

Please check the appropriate line and sign and date below. If no line is checked the Commission will not make your response public if the redacted report is made public.

☒ Below is my public response. Please make this response public if the summary report is also made public; or

☐ Below are my suggestions for redaction. I do not wish for these suggestions to be made public.

 Respondent's Signature

10/6/2011  
Date

Instructions: Please write or type suggestions for redaction or a public response on the lines below. If you prefer, you may attach separate documents to this form. Return this form and any attachments to:

Illinois Executive Ethics Commission  
401 S. Spring Street, Room 513 Wm. Stratton Building  
Springfield, IL 62706

I believe in my response  
Ron Davidson + Irene Nelson  
name should be redacted as they  
are witness to wrong doing of  
the DCS OIG.



Erwin McEwen's Response  
To  
Office of Executive Inspector General for the  
Agencies of the Illinois Governor  
And  
Office of the Inspector General for the  
Department of Children and Family Services  
Investigation Case Nos. 10-01182 and 10-OIG-2622

**RECEIVED**

AUG 10 2011

Governor's Legal Dept.

## I. Contextual Environment

Erwin McEwen was appointed Acting Director of the Illinois Department of Children and Family (DCFS) Services on November 17, 2006 after the abrupt resignation of Director Bryan Samuels. Prior to his appointment as the Acting Director, McEwen served as Deputy Director of Monitoring and Quality Assurance. While the word monitoring was used in his title it is important to understand that he was not the program or fiscal monitor for all POS contracted services at DCFS. McEwen's role as it related to monitoring was for all placement programs where children lived. The Division of Placement and Permanency made all decisions about where children were placed and contract levels. The Division of Service Intervention was responsible for both programmatic and fiscal monitoring of most of the non-placement contracts and other divisions had responsibility for the programmatic and fiscal monitoring of contracts utilized primarily by their division.

As a peer, McEwen worked collaboratively with many of these Deputies over a 3-4 year period, but the nature of their relationships changed dramatically when McEwen was named Acting Director. Some struggled with the transition more than others and the adjustment of these relationships in the work environment would take time to occur and have the new Acting Director receive all the information and support necessary to perform his new duties. There were also many internal DCFS political factions who tried to sabotage McEwen's management agenda and, in fact, were actively engaged in preventing him from getting either the initial or permanent appointment. As a result of this dynamic, executive staff members aligned themselves in different ways. Several Deputies made it clear they did not work for McEwen, the Director; they told him that they worked for the Governor or other political patrons. Former Deputy Director Cynthia Moreno, whose employment was ultimately terminated on the basis of poor job performance and her failure and refusal to keep McEwen informed of matters under her supervision, was one such Deputy. Finally, there was major turnover in Deputy Director positions due to factors beyond his control and McEwen's inability to fill his previous position of Deputy Director of POS Monitoring as he still occupied that PIN number.

The vacancy in the Deputy Director of POS Monitoring position, McEwen's previous position, was not filled until 1/16/2008, after McEwen was appointed and confirmed Director. Until this position was filled, McEwen did both the Director's job and the Deputy's job. Staff often referred to things being monitored or coming from the Director's Office when McEwen was performing duties that would have normally been done by the Deputy of Monitoring role.

- The Deputy Director of Performance Management was terminated on 1/11/07 and replaced on 5/9/07.
- The CFO resigned on 1/8/2008 and was not replaced until 4/21/2008.
- The Deputy Director of Child Protective Services was terminated on 2/22/2008 and has never been replaced.
- The Deputy Director of Service Intervention was terminated on 7/2/2008 and replaced on 10/1/2008.
- The Deputy Director of Clinical Services resigned on 11/1/2008 and was replaced on 11/16/2009.
- The Deputy Director of Performance Management was terminated on 1/11/07 and

replaced on 5/9/07.

Three of these Deputy Director positions that turned over after having been vacant for significant periods of time had direct responsibility for both programmatic and fiscal monitoring of DBCC contracts: the Deputy Director of Service Intervention, Deputy Director of Budget and Finance (CFO), and Deputy Director of Clinical Services. Each Deputy held critical responsibility over these contracts. McEwen did not personally monitor DBCC contracts and relied on the Deputies to keep him informed and to manage their staffs. Yet, each of these three Deputies made it clear to McEwen that they did not report to him. Of particular note, the CFO – who was responsible for the Office of Contract Administration—told McEwen that she reported to the Director of Governor’s Office of Management and Budget and the Deputy Director of Service Intervention said she worked for the Governor.

Effective contract monitoring and oversight requires adequate staff, training, and consistent managerial oversight. As Acting Director and Director, McEwen was required to rely on his Deputies to monitor the contracts in their Divisions and to keep him informed of matters as they arose. The Deputies failed to do so.

Simply being appointed to a position does not automatically give a person the complete control of all the factors governing the organization and its’ practices. It takes time and many experts would cite several years. While some challenges will be technical and can be overcome with information, knowledge, education, technology, and existing skills others will be adaptive challenges that have to be overcome with a change in values, attitudes, beliefs, culture, and time. The evidence of overcoming these challenges rests in the fact that as new deputies came on board and were willing to work with Director McEwen, the monitoring improved and it is these new people who led to the OIG’s discovery of the DBCC issues. The new Deputy Director of Clinical Services, Dr. Tate, has excellent supervisory as well as clinical skills. She has also demonstrated a willingness to work with McEwen in order to achieve agency objectives. Likewise, the presence of Deputy Director Daniel Fitzgerald in the Division of Services Intervention served to enhance the Service Interventions’ performance. In fact, most of the statements made by their staffs that were attributed to the Director were hearsay from their former deputy and not directly from the Director. These staff members were also encouraged not to be cooperative with Director McEwen.

Contrary to the report, he did not in any way interfere with the monitoring of DBCC contracts. There is no credible evidence that McEwen said or did anything inappropriate or unlawful. The conclusory statements reflected in the report are all primarily individuals allegedly repeating what third parties allegedly told someone else. This is not credible.

## II. DCFS Director McEwen and Dr. Smith

Director McEwen knew Dr. Smith through management training he provided to Director McEwen while he was at Lakeside. Director McEwen found Dr. Smith to be a highly regarded and respected human service professional in the community. McEwen considered it an honor to be able to learn from someone like Dr. Smith. As the years passed, McEwen often turned to Dr. Smith with questions about management, agency operations, and clinical services. He even

referred a personal family member to Dr. Smith for professional mental health services. However, Director McEwen did not allow this relationship to impact his professional decision-making on behalf of IDCFS. As Deputy Director, he had no role in monitoring Dr. Smith's contracts until Director Bryan Samuels assigned him to monitor the Family Advocacy Center contract in Bloomington, Illinois. He later monitored the Fatherhood Initiative contract for a brief period of time. Director McEwen at no time ever had any direct monitoring responsibility for the student at Risk Grant or at any time did he ever transfer this responsibility to former Deputy Director Arthur Bishop.

Contrary to the report, Director McEwen never told investigators that Dr. Smith's degree was in educational consulting. He stated that he believed it was in Education and Counseling. Director McEwen was generally aware of Dr. Smith's educational background on the basis of DBCC's 401 Child Welfare Agency License application. As part of the application process, Dr. Smith was required to submit his transcript, and references. Because Dr. Smith's degree was not in social work or a clinical field, he was required to request a panel review of his credentials. Deputy Director McEwen required him to go through this process just like everybody else. (See attached Exhibit 1-request letter for panel review, college transcripts, biography, diploma, APA Diplomate certificate and references) An examination of the licensing file would have revealed that this information was present. The OEIG and DCFS OIG failed to exam or review the agency licensing records or they knowingly misrepresented McEwen's knowledge of providers. In a situation of cold questioning -- as occurred here -- it would be difficult for any State Director to provide the educational background of any given provider off the top of his or her head. The expectation that Director McEwen would know the educational credentials of 1000s of providers is also absurd.

### III. Managed Grant Procedures

There was no failure to manage grant procedures or internal controls. There was clearly established a complete review of grant procedures and sign off through decision memos (see attached) and Professional Business Case (PBC) reports that are required by CMS. The decision memos clearly outline all the required signoffs and internal controls that must be completed prior to the creation of a contract and before a contract over \$250,000 is created it must have sign offs from the General Counsel, CFO, and the Director. Director McEwen provided the OEIG and DCFS OIG with copies of all the decision materials that result in DBCC grants. Director McEwen was not the recommender on any of those contracts and only two came after he was Acting Director. (See attached Exhibit 2- all decision memos for DBCC) The directives that set in motion the poor monitoring of DBCC contracts were established long before Director McEwen became Acting Director. McEwen became Acting Director on November 17, 2006. As early as January of 2006, the Deputy Director of Budget and Finance (CFO) and the Deputy Director Cynthia Moreno of Service Intervention received directives from the Governor's Office to issue the grants to DBCC and to pay them without the appropriate information, and program plan in place. (See attached Exhibit 3- e-mails dated 1/10/06 and 3/22/06) At no time did Director McEwen's relationship with Dr. Smith have any impact on these decisions as he was not included in these e-mails, he was not a part of these decisions, had no responsibility for issuing these grants or contracts, and no responsibility for monitoring them. Less than 90 days after being named Acting Director, McEwen received directives from GOMB Director to give

DBCC another grant and increase grant. These decisions came from legislative initiatives and where not due to Director McEwen's personal relationship with Dr. Smith. (See attached Exhibit 4- e-mail from Ginger Ostro directing grants on behalf of DBCC and reporting back to legislature)

OEIG and DCFS OIG failed to mention this information in their report. These e-mails were provided to Director McEwen by the Governor's General Counsel during McEwen's interview regarding this matter. The fact that McEwen had no involvement in these decisions are clear as he is not mentioned, or included as a recipient on those e-mails. His relationship with Dr. Smith could not have possibly had any influence here as he was not named Director until 11 months later. Remarkably, this significant information is omitted from the investigation and/or report. It is clear that you can lie by commission, a deliberate distortion of the facts, and omission, by deliberately leaving out facts that if were present would defeat the argument.

#### IV. Prior Monitoring Position

In Director McEwen's previous role as Deputy Director of Monitoring and Quality Assurance, he had no responsibility for monitoring non-placement contracts. The expectation that he should have been monitoring these contracts is completely false and inconsistent with IDCFS rules and procedures. The contracts monitored by this division where all foster care types, residential, group home, independent living, and transitional contracts. These are programs where children live. None of DBCC contracts where to house children. Most non-placement contracts where monitored by the Service Intervention Division. The Contract Compliance Administrator position was established on 2/1/04 as a Senior Public Service Administrator, Option 8L (attorney) under the division of POS Monitoring. On March 1, 2005 the Contract Compliance Administrator position was clarified to a Senior Public Service Administrator, Option 6 (term appointment). The position was subsequently clarified as a Senior Public Service Administrator, Option 6 (4d3 appointment) and moved to the Director's office on 3/16/05 in order to support the 4d3 exempt exclusion. The position was filled for the first time on 7/5/06 by John Zukosky. Zukosky reported directly to Moreno the Deputy Director of Service Intervention. The inability of the OEIG and DCFS OIG to understand or figure out the lines of operational responsibility for each of the involved divisions is hard to believe.

There are no e-mails or communications that exist in which the monitoring of these non-placement contracts comes under the monitoring of the Division of Monitoring and Quality Assurance. For this report to assert that Director McEwen "In this position, he was the only program monitor of Dr. Smith's contracts until March 2007, when others had to advise him that continued monitoring could constitute a conflict of interest" is a false and inaccurate statement. The decision memos and the e-mails from staff in DCFS' Budget and Finance and Services Intervention Division clearly put the responsibility for monitoring and creating these contracts in those division. (See Exhibit 3) In addition to those e-mails, an e-mail message from Kim Peck to Darlene Cannon clearly identifies as late as January 31, 2007 that their division was still monitoring DBCC contracts. In her e-mail, she states "Cynthia would like to hold off for a little bit on asking Mac if it can be moved to the Director's Office for 08". ( See Exhibit 5 bottom of page) No DBCC contracts were managed by the Monitoring and Quality Assurance Division

until Director Samuels moved the FCRC Family Advocacy Center to be monitored by the Deputy McEwen. Until then, no contracts of this nature were monitored by this division. In an e-mail from Ken Broady he uses no plurals when he talks about Director Samuels assigning “the Diversified contract arrived in OETS. Bryan Samuels ordered that the contract be monitored by Erwin McEwen solely. Although, this contract is listed under OETS”. Director Samuels only assigned 1 contract not all, the Family Advocacy in Bloomington. (See Exhibit 5 top of page)

The Reminder from Barbara Piwowski was due to the fact that McEwen continued to serve dual roles as Director and Deputy Director. Twenty minutes after receiving her e-mail, he directed Cynthia Moreno to monitor this contract so at no time did a conflict of interest occur. (See Exhibit 6) In fact this contract was directed by GOMB as a legislative initiative. (See Exhibit 4)

#### V. DBCC Monitoring Responsibility

In order to clearly understand the monitoring responsibilities relative to DBCC, a careful examination of the timelines is necessary.

- On January 31, 2007 Ms. Moreno stated to her staff that she would like to hold off on asking the Director if the DBCC contract could be moved to his office. This was stated in an e-mail from Kim Peck. It is clear that she believed at this time the monitoring responsibility was in their division.
- On February 1, 2007, Ken Broady stated in an e-mail under the previous Director’s authority, McEwen was asked to monitor this contract specifically as a part his role as Deputy of Monitoring. Broady was mistaken as the contract McEwen was asked to monitor for DBCC was the Family Advocacy Center contract.
- On March 6, 2007, Deputy Moreno tried to explain that Director McEwen would monitor but would need their support.
- On March 9, 2007 after receiving an e-mail from the CFO Barb Piwowski, who was a CPA and subject matter expert on managing internal controls, apprised Director McEwen of the conflict of interest he would create, he assigned and made clear that Deputy Moreno would be the monitor for DBCC contracts.
- Ms. Moreno continued to attempt to engage the Director’s Office in the oversight and management of contracts, clearly six months later in September of 2007 (See Exhibit 7).

Moreno and her staff clearly failed to adequately monitor the DBCC contracts and sought to shift the responsibility to Director McEwen for monitoring by misdirecting her staff. The blatant abdication of these functions and redirection of staff to the Director’s Office for contract monitoring and recommendations was part of a series of obvious attempts to entrap this Director in the poor monitoring practices that had long been established under her direction. In addition, Moreno at no time informed McEwen of the many directives she had received from the Governor’s Office surrounding this provider.

#### VI. Reason for Declining Third Interview

Some time ago, Director McEwen was informed by respected members of the Chicago

[redacted]

[redacted]



[redacted]

# **Exhibit 1**

## *Diversified Behavioral Comprehensive Care*

*11070 South Western Avenue Chicago, IL 60643-3928*

*Phone (773) 239-9700 Fax (773) 239-7506*

9/19/05

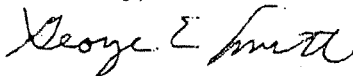
Erwin McEwen  
Deputy Director  
Illinois Department of Children and Family Services  
1026 S. Damen  
Chicago, Ill 60617

Dear Deputy Director McEwen,

I am writing this letter formally requesting a "Panel Review" of my educational transcripts. In reviewing my transcripts you will find that my graduate studies started over 32 years ago and many of my courses in psychology and counseling were only offered in the school of education. I am requesting acceptance of my course work and degrees in order to secure the position of Executive Director of Diversified Behavior Comprehensive Care.

If there is a need for any additional information please call me at 773-239-9700.

Sincerely,



Dr. George E. Smith

Cc: Cherlynn Shelby, DCFS Licensing

# Indiana University

## School of Education

To all who may read these letters, Greeting:  
hereby it is certified that upon the recommendation of the Faculty,  
the Trustees of Indiana University have conferred upon

**George Edward Smith**  
the degree of

**Doctor of Education**

in recognition of the fulfillment of the requirements for this degree.  
In witness whereof, this diploma is given at  
Bloomington, Indiana, January 10, 1980.

*Wm. W. D. Spaulding*  
Dean

Attest: *C. E. Harnell*  
Secretary of the Trustees



*John S. Farn*  
Robert N. O'Neal  
Vice President

[two pages containing university transcripts redacted]

# The American Psychotherapy Association

hereby awards

George E. Smith, Ed.D.

the designation of

**Diplomate**

*with all the rights, benefits and privileges pertaining thereto, as long as membership requirements are met and the Psychotherapist's Oath of the American Psychotherapy Association is upheld.*



Brent McCoy  
Chief Association Officer



Michael A. Baer, Ph.D., DAPA  
Chair, Executive Advisory Board

Member since  
May 1998

Member ID  
811



This certificate is the property of the American Psychotherapy Association, and in the event of its suspension, revocation or invalidation for any reason, it must be returned on demand to the American Psychotherapy Association.

[four pages containing university transcripts redacted]

## **BIOGRAPHY**

### **OF**

### **Dr. George E. Smith**

*Dr. George E. Smith is an educational and motivational speaker as well as a successful businessman. His educational training reflects extensive knowledge in the professional arenas of education, psychology, administration, and human relations.*

*Dr. Smith completed his undergraduate studies in Industrial Education at Indiana State University in Terre Haute, Indiana. He received a Master of Science Degree in both Educational and Counseling Psychology from Indiana State University. He earned his Doctorate Degree in Education Administration, Counseling Psychology, and in Educational Psychology from Indiana University in Bloomington, Indiana.*

*Dr. Smith is the Executive Director and CEO of Management Planning Institute (MPI), Incorporated. He founded MPI in 1980, because he believed that there was an urgent need for psychological and educational services for the Black community. Through Dr. Smith's belief in the delivery of holistic mental health and in his belief that every child is valuable and worthy of a quality education, he has been faithfully dedicated and passionately committed to healing the hurts, the wounds, and the brokenness in the lives of those who entrust their sacred selves to his professional care. The number of agencies, individuals, and families who diligently seek out his services are a testament to his professional credibility but most importantly to his devotion for helping those in need. Over the past 18 years in clinical and educational practice, Dr. Smith has begun to see his role as more of a "call" rather than a profession.*

*Dr. Smith has a very talented staff, and he offers many clinical, educational and professional services to both the private and public sectors. These services range from individual, family, couple, and group therapy to comprehensive psychological, educational, psychiatric, and vocational evaluations. He provides in-school support services to the Chicago Public School system whereby at-risk public school children and their immediate families are provided counseling services. Dr. Smith conducts 300 workshops and inservices annually and has been very instrumental in exposing parents to child development issues, communication and interpersonal skills, and to a variety of parenting skills. He also hosts a weekly radio talk show which addresses a number of clinical, family, educational, and societal issues, which is positively received by a wide audience of listeners and participants.*

*Dr. Smith has taught undergraduate and graduate level courses at several universities in the Chicago area, and he offers seven internship opportunities for both undergraduate and graduate students to complete their internship placement per semester. Students from the University of Chicago, Chicago State University, Loyola University of Chicago, Trinity Christian College, and National Louis University actively seek field placement.*



*Dr. Smith has been honored with many awards for his professional service and expertise. He was the recipient of the 1996-1997 Parents As Teachers First Distinguished Service Award presented by the Chicago Public Schools. Synergy in Action of AT&T presented him with an award for maximizing excellence to achieve success. In 1982, the Chicago Commission on Human Relations honored him for dedicated and enthusiastic assistance in the creation of human relations workshops designed for the psychological well-being of inner-city youth. Recently, Dr. Smith was designated a Certified Diplomate in Psychotherapy by The American Psychotherapy Association. He is also a Licensed Clinical Professional Counselor.*

State of Illinois  
Department of Children and Family Services

7-1-04  
Date Submitted

INFORMATION ON PERSON EMPLOYED IN A CHILD CARE FACILITY\*

I. Employing Facility DBCC  
Address 11070 So Western Chicago 60643  
(Street and Number) (City) (Zip Code)

II. Person Employed George E Smith  
(Date of Birth)

Social Security Number \_\_\_\_\_ Phone \_\_\_\_\_

Home Address \_\_\_\_\_  
(Street and Number) (City) (Zip Code)

III. Employment Date Employed: 7-1-05

Position for which employed (Check appropriate item):

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Executive, Superintendent, or Director     | <input type="checkbox"/> Licensed Practical Nurse (day care center only) |
| <input type="checkbox"/> Child Care Supervisor (child care institution)        | <input type="checkbox"/> Master Teacher                                  |
| <input type="checkbox"/> Child Care Worker (child care institution)            | <input type="checkbox"/> Early Childhood Teacher (day care center)       |
| <input type="checkbox"/> Child Care Staff (group home)                         | <input type="checkbox"/> School-age Worker (day care center)             |
| <input type="checkbox"/> Child Welfare Supervisor (child welfare agency)       | <input type="checkbox"/> Early Childhood Assistant (day care center)     |
| <input type="checkbox"/> Child Welfare/Licensing Worker (child welfare agency) | <input type="checkbox"/> School-age Assistant (day care center)          |
| <input type="checkbox"/> Registered Nurse                                      | <input type="checkbox"/> Substitute                                      |
| <input type="checkbox"/> Teacher (residential facility)                        | <input type="checkbox"/> Cook  |
| <input type="checkbox"/> Housekeeping  | <input type="checkbox"/> Clerical  |
|  | <input type="checkbox"/> Other: _____                                    |

IV. Previous Employment (Last ten years of employment)

From	To	Name and address of Employer	Type of Work and Title
		See Resume	

V. Other Direct, Unpaid Experience with Children (Such as scout work, Sunday School teacher)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\*This facility should retain copy for its records.

**DBCC**  
**Employment**  
**Application**

Social Security # \_\_\_\_\_ Date: 7-1-04

Name: GEORGE E SMITH  
(Last / First / Middle)

Address: \_\_\_\_\_  
(No. Street / City / State / Zip)

Telephone: (\_\_\_\_) \_\_\_\_\_ Email Address: \_\_\_\_\_

Are you 18 years of age or older? ☒ Yes ☐ No

If hired, can you provide written evidence that you are authorized to work in the U.S.? ☒ Yes ☐ No

**EDUCATION**

Type	Name/Location	Course of Study	# Years Completed	Degree/ Diploma
Elementary & Jr. High	_____	_____	_____	_____
High School	_____	_____	_____	_____
College	<u>IND. ST U.</u>	<u>IND. ED. COUNSELING</u>	<u>1972/1973</u>	<u>BS, MS</u>
Technical or Other	<u>IND. U</u>	<u>COUNSELING Psy</u>	<u>1980</u>	<u>ED.D.</u>

**EMPLOYMENT RECORD**

Company Name and address	Kind of Work	Date: Started/Left	Rate of Pay	Reason for Leaving
1. <u>CITY COL of CHICAGO</u>	<u>DIRECTOR</u>	<u>9-80-83</u>	_____	<u>NEW POST.</u>
2. <u>MPI, Inc</u>	<u>PRES</u>	<u>10/81</u>	_____	_____
3. <u>DBCC</u>	<u>ED</u>	<u>9-1-04</u>	_____	_____
4. _____	_____	_____	_____	_____

## **EMPLOYMENT**

Type of Work Desired EXECUTIVE DIR Salary Desired \_\_\_\_\_

How Were You Referred To Our Organization? FRIEND

Do You Have Any Relatives Who Are Employed By This Organization? \_\_Yes ☒ No

Please Specify : \_\_\_\_\_

Is there any information we would need about your name, or use of another name, for us to be able to check your work record? \_\_Yes ☒ No

Please Specify : \_\_\_\_\_

Please list any additional information that relates to your ability to perform the job for which you have applied such as licenses, professional memberships, hobbies, etc.

## **APPLICANT'S STATEMENT**

I understand that the employer follows an "employment at will" policy, in that I or the employer may terminate my employment at any time, or for any reason consistent with applicable state or federal law; this "employment at will" policy cannot be changed verbally or in writing, unless the change is specifically authorized in writing by the chief operating officer of this organization. I understand that this application is not a contract of employment. I understand that federal law prohibits the employment of unauthorized aliens; all persons hired must submit satisfactory proof of employment authorization and identity; failure to submit such proof will result in denial of employment.

I understand this application will be active for a period of one year; after that time, if I wish to be considered for employment, I must submit a new application.

I understand that the employer will thoroughly investigate my work and personal history and verify all data given on this application, on related papers, and in interviews. I authorize all individuals, schools, and firms named therein, except my current employer if so noted, to provide any information requested about me, and I release them from all liability for damage in providing this information.

I certify that all the statements herein are true and understand that any falsification or willful omission shall be sufficient cause for dismissal or refusal of employment.

Your Signature: \_\_\_\_\_ Date: 7-1-04

# **List of References**

**Dr. Beverly J. Butler**  
**Deputy Chief Officer**  
**Chicago Public School**  
**125 South Clark Street (5<sup>th</sup>)**  
**Chicago, Illinois 60603**

**Rev. Janette C. Wilson**  
**Director**  
**Attendance & Truancy Intervention**  
**Chicago Public School**  
**125 South Clark Street (10<sup>th</sup>)**  
**Chicago, Illinois 60603**

**Mr. Melver Scott**  
**Principal**  
**Crane High School**  
**2245 West Jackson Blvd.**  
**Chicago, Illinois 60612**



CHICAGO PUBLIC SCHOOLS

Office of School and Community Relations • 125 South Clark Street, 5th floor • Chicago, Illinois 60603  
Telephone 773.532.1400 • FAX 773.532.1873

Beverly Butler, Ed.D.  
Deputy Officer

June 21, 2005

To Whom It May Concern:

I am writing this letter at the request of Dr. George E. Smith of Management Planning Institute (MPI). Over the last fifteen (15) years, I've had the opportunity to work with Dr. Smith on a number of different projects. Some of these projects include: Parents as Teachers First, Local School Council Training, Parenting Trainings, and Workshops for the Annual Power of Parents Conference. Most recently, Dr. Smith and his staff have been very supportive by providing training to our NCLB Title 1 Part A PAC parents within the six (6) clusters. Parents have been very receptive to the training sessions, and are benefiting system-wide.

MPI has a staff that consists of individuals with Master Degrees and higher. The staff is trained as Social Workers, Psychologists, Speech Pathologists, Counselors and Early Childhood Educators. As a result of his comprehensive and highly trained staff, we frequently call upon MPI to assist us with providing services and activities for children and their families of the Chicago Public Schools.

MPI and Dr. Smith are more than qualified to meet the social, emotional and educational services needs as required in the RFP.

We highly recommend MPI without any hesitation or reservation. If you require any further information, please do not hesitate to contact me at .....

Sincerely,

Beverly J. Butler, Ed.D.



Human Relations, Community Partnerships & Truancy Intervention • 125 S. Clark Street 10<sup>th</sup> Floor, Chicago, Illinois 60603  
Telephone: (773) 553-2214 • FAX: (773) 553-2213

Rev. Janette C. Wilson  
Director

June 22, 2005

Mrs. Heather A. Obora, Chief Purchasing Officer  
Department of Procurement and Contracts  
Board of Education of The City Of Chicago  
125 South Clark Street, 10<sup>th</sup> Floor  
Chicago, IL 60603

Dear Ms. Obora,

I have known and worked with Dr. Smith for many years in his capacity as social services intervention provider for truant Chicago Public School students and their families. I am writing this letter on behalf of Dr. Smith, who has over 27 years experience as an educator and over 25 years of experience as a psychotherapist, with The Management Planning Institute.

Management Planning Institute provides comprehensive assessments, individual and family counseling, and participates in parent/ teacher conferences. In addition, the professional development workshops provided by MPI are informative, providing a clearer understanding of the social emotional dynamics affecting our students.

To his credit, Dr. Smith, only employs staff that reflects his commitment to the provision of quality service. Services included parenting workshops for parents dealing with truancy issues, delivering topics ranging from adolescence development and communication to interpersonal parenting issues. It is a blessing to know that other schools and families will have an opportunity to be exposed to the work of Dr. Smith and his team, under the Parent- Community School Training Services for the Board of Education, City of Chicago.

Dr. Smith's straight-line approach to service has provided both parents and students with reality based counseling and parent training. Dr. Smith and the staff of MPI met parents and students where they were and elevated their level of understanding and helped them to see the importance of parental involvement throughout a child's educational career.

I'm honored to know that other schools will have Dr. Smith and the staff of Management Planning Institute, to provide them the opportunity to experience their quality, cutting edge service. Should you have questions or need additional information, please do not hesitate to contact me.

Respectfully,

Janette C. Wilson, Director  
Attendance & Truancy Intervention

# TECH PREP COMMON SCHOOL

CHICAGO, ILLINOIS 60612-2910  
FAX: 773.534.7557



SCOTT, PRINCIPAL

ALBERT BONNER, JR., ASSISTANT PRINCIPAL  
GEORGE FREY, METRO PROGRAM DIRECTOR  
DR. ROBERT A. SADDLER, ADMINISTRATIVE ADVISOR

As written in support of Management Planning Institute's effort to provide Emotional Special Services to the Chicago Public Schools. I have known and worked with Dr. Smith for many years, and as principal of Crane, where we serve many students with social and emotional problems, I am impressed with his work with these youngsters. I have solicited Dr. Smith and his staff to assist me in addressing this concern and a number of other issues. Dr. Smith and his team of professionals have played a significant role in helping to turn around the issues of care and concern at our school.

Dr. Smith and his team provided individual, group and family therapy, crisis intervention, parent training and staff development for all constituents of our school. I was amazed at the rapport that Dr. Smith and his staff established with parents, staff and students. His straight-line approach to service has provided both parents and students with reality-based counseling and parent training. Dr. Smith and his staff met parents and students on their level and elevated their level of understanding and sensitivity in order for all parties involved to realize the importance of education.

In one of our staff development meetings, Dr. Smith stated that until our schools can provide our students, who are on the streets, with something better than the streets, we would have difficulty with students returning to the classroom. Our efforts over the several years have shown that we've offer them something better. Additionally, Management Planning Institute was assigned to our school in May, 2005, as a Truancy Social Service Agency. I am delighted to inform all parties that through collaborative efforts, our attendance for the month of June, 2005 reach 91% for the month, which is a first in our school's history.

I'm honored to know that other schools will have Dr. Smith and the staff of the Management Planning Institute to provide them the opportunity to experience their quality, cutting edge service. If you have questions or are in need of additional information, please do not hesitate to contact me at

Sincerely yours, A

Melver L. Scott



# **Exhibit 2**

## McEwen, Erwin

---

**From:** Hobson, Derek  
**Sent:** Monday, March 14, 2011 3:29 PM  
**To:** McEwen, Erwin  
**Cc:** Murray, Denice; Stanek, Robert (DCFS)  
**Subject:** RE: Diversified

**Attachments:** TO\_Director.pdf

Director, per your request, attached are the Decision Memos, Email approvals and/or recommending approvals that were on file for the DBCC Contracts (listed below).  
Let me know if additional information is needed. Thanks Derek



TO\_Director.pdf  
(801 KB)

### PRV ID 435346 CONTRACT FY 11 PRV NAME DIVERSIFIED BEHAVIORAL COMPREHENSIV CARE

*** CONTRACTS ***						
SEL	CNTR ID	DESC CODE	OBLIG IND	OBLIG AMT	BAL AMT	
_	435346 - 401 - 1	CSA	O	911,000.00	614,650.02	Intensive Youth Stabilization/CAYIT - No Decision Memo on File/ Email approval
_	435346 - 501 - 1	AVA	O	325,266.73	162,633.37	Professional Adv. & Outreach – Springfield - Decision Memo on File / Recommending
_	435346 - 602 - 1	AVA	O	359,660.00	179,830.00	Family Advocacy – Champaign Co. - Decision Memo on File
_	435346 - 901 - 1	AVA	O	592,230.00	296,115.00	Advocacy Outreach and Support - No Decision Memo on File/ Recommending/Email approval
_	435346 - 902 - 1	FCA	O	125,000.00	61,855.22	Paternal Involvement Center - Decision Memo on File / Recommending/ Emails
_	435346 - 903 - 1	CSA	O	450,000.00	254,836.65	Student At Risk Program - Recommending/Email approval
_	435346 - 904 - 1	CSA	O	108,550.00	40,219.68	P.A.C.T. Program <b>terminated effective 12/31/10</b> - No Decision Memo on File/ Recommending
_	435346 - 907 - 1	AVA	O	250,000.00	125,000.00	Brightstar Fam. Adv. Center - Decision Memo on File

Derek A. Hobson, MBA  
Manager, Office of Contract Administration

Illinois Department of Children & Family Services  
Derek.Hobson@illinois.gov

**406 E Monroe, Station 455**

**Springfield, IL 62701**

**217/785-3930 phone (Spfld)**

**217/782-3796 fax (Spfld)**

**618/583-2079 phone (E.St. Louis)**

435346 4015

Morsch, Mary Sue

RECEIVED  
OCA/SPFLD

From: Morsch, Mary Sue  
Sent: Friday, September 03, 2004 12:47 PM  
To: Earley, Resa; Richner, Jennifer; Turner, Brian  
Cc: Piwowarski, Barbara; McEwen, Erwin; Studzinski, Anne  
Subject: management planning institute

SEP 08 2004

I was asked by Erwin, confirmed by the director on 8/2, to develop a contract for Dr. George Smith of the management planning institute. I am sending you (resa) via hard copy the program plan and the budget. Dr. Smith we'll be working with adolescent youth who are cycling in and out of the cook shelter system. The total capacity is 50 annually with a flat monthly fee of 41,733. The contract should begin 9/1 through 6/30/05. Erwin should be the contract monitor Barb previously discussed this with the director who indicated that it should be paid from pip funds. Please call me if you have any questions and thank you!

401 sequence

2B

9/1-4/30/05

PIP

417,330.00

220-41817-4900-17-00

W-9

Net + PBC

Res-  
Thanks for  
your help.  
marysue

## **Request for** **New Contract or Increase to Existing Contract**

### **General Contract Information**

Division Initiating Request: Field Operations – Central Region

Provider Name: Diversified Behavioral Comprehensive Care /Primed For Life

Principal Location of Service: 1101 E. Monroe, Suite B, Springfield, IL 62702

(not necessarily the same as provider's legal address)

New Contract ☒ Increase Existing Contract ☐ (Contract #: 4353485018)

Effective Date: 11/1/07 End Date: 6/30/08

#### **Narrative Description of Contract Services:**

Primed for Life, Inc. (PFL) primary goal is to enhance functioning and educating families to be healthy, productive, and whole. With this collaboration, PFL agrees to do a service for families and children including the advocacy necessary to assist them through the DCFS process for period of 8 months or the remainder of FY08 with plans to grow in the upcoming years. Included in the service are emergency aftercare services for resources that would prevent the family from becoming re-involved once reunification has occurred. In addition, we will support educational service and life coaching as needed for the family's growth towards reunification. This includes referrals to community resources and agencies where PFL have linkage agreements for services.

A grant is being requested to begin the balance of FY08 through FY09. PFL would transition to a fee-for-service in FY10.

The program will start with an executive director who will submit 75% of work time to direct services to the clientele. In addition, the program director hired will also be expected to submit 100% of work time to direct services to fulfill the scope of client services. The three transitional advocates would be hired on a staggered month but both are dedicated to direct services as 100% of their duties. At onset, there would be one support staff person hired and a receptionist. Therefore, PFL would be prepared to take referrals in the first month but anticipate full staffing based on initial agreement by the third month in operation.

Diversified Behavioral Comprehensive Care (DBCC) will be the fiscal agent for Primed For Life in FY08.

### **Fiscal Detail**

Proposed Contract Amount/Amount of Increase: Current Fiscal Yr: \$ 335,327.50  
Next Fiscal Yr: \$ To be determined

#### **Payment Method:**

Rate ☐ Monthly Grant Payment ☒ Quarterly Grant Payment

#### **◆ For contract paid via a rate:**

■ Has Division of Budget & Finance calculated rate already? (Y/N)     

#### **◆ For contract paid via monthly grant or quarterly grant:**

■ Name on individual reconciling payments to actual costs submitted by provider:

Central Region Contract liaison Dave MyersService Codes to be paid under contract: 0491

Appropriation Account Number from which the Division/Region intends to pay for this contract:

First Choice: 00-41817-4900-18-00 Region 1BSecondary Choice(if any): 001-41817-4900-18-00 Region 1B

How does Division/Region intend to pay for this contract?

Request increase in Allocation: ☒ Decrease Other Contract(s): ☐ Use existing Allocation ☐

If decrease, identify contracts to be decreased:

ProviderContract Number\$ Reduction Amount

Other Contract Changes:

Rate Adjustment: \_\_\_\_\_ Program Plan Change: \_\_\_\_\_ Other: \_\_\_\_\_

**Management Review / Approval: (In order of sign-off's necessary)**

Recommending Deputy Director (originating Division): \_\_\_\_\_

Date: 11/13/07 Comments / Recommendations: affordable

Budget Office Review:

Date: 11/13/07affordable

Contracts Office Review:

Date: 11/14/07at -

Claiming Review by:

Date: 11/14/07

Director's Disposition:

Approval ✓

Disapproval \_\_\_\_\_

Modification \_\_\_\_\_

See Comments \_\_\_\_\_

Director's Comments:

**Department of Children and Family Services**  
**For Contracts in Group - AGENCY ADVOCACY PROFESSIONAL I**  
**For FY 2008**

<b>Descriptor Code</b>	CSA		
<b>Provider</b>	DIVERSIFIED BEHAVIORAL COMPREHENSIV CARE		
<b>Contract Number</b>	4353485018		435348
<b>Lead Region</b>	1B		
<b>Program Name</b>	PROFESSIONAL ADVOCACY AND OUTR		
<b>Contract Term</b>	11/1/2007 Through 6/30/2008		
<b>Curr Yr Direct Serv</b>	\$335,327.50	<b>Total Direct Serv</b>	<b>Client Served</b>
<b>Curr Yr Expenses</b>	\$0.00	<b>Total Expenses</b>	<b>Both</b>
<b>Curr Yr Total</b>	\$335,327.50	<b>Total</b>	<b>Years with DCFS:</b>
<b>FY 05 Expenditures</b>			<b>Any Given Time Cap</b>
<b>FY 06 Expenditures</b>			<b>Annual Capacity:</b>
<b>FY 07 YTD Exp</b>			<b>FY 07 Latest Month Paid</b>
<b>Geographic Area</b>			

**Population Served****Contract Comments**

Provide professional advocacy, life coaching, mediation, professional mentoring, workshops, linkage to services and assistance to help families become independent for open DCFS cases either intact or placement case.

**Contract Rates**

Count	Freq	Service Narrative	Begin	End	Serv	Amount
01	MO	ADVOCACY/MENTORING GRANT	11/1/2007	6/30/2008	0491	\$41,915.93

**Comments**

- 1B 0014181749001800 Provides professional advocacy and mentoring services to 80 DCFS clients with an open intact or placement case in Sanagmon County.
- 1B 2204181749001800 Provides professional advocacy and mentoring services to 80 DCFS clients with an open intact or placement case in Sanagmon County.

**Program Summary**

\_\_\_\_\_  
 Bishop, Arthur

*Recommended by Deputy Director*

Monday, November 19, 2007

11/19/07  
 Date

Page 1 of 1

TOTAL P.02

**New Contract or Request for Increase to Existing Contract**

### General Contract Information

Division Initiating Request: Field Operations

**Provider Name:** Diversified Behavioral Comprehensive Care (DBCC- fiscal agent) Building Strong Families In Champaign County (provider)

Principal Location of Service: The Executive Center-702 Bloomington Road-  
Champaign, Illinois 61820. (Not necessarily the same as provider's legal address)

(not necessarily the same as provider's legal address)

New Contract ☒ Increase Existing Contract ☐ (Contract #: 935346 6029)

Effective Date: 07-01-08 End Date: 6-30-09

**Narrative Description of Contract Services:**

**Narrative Description of Contract Services:**  
Provide professional advocacy, life coaching, mediation, professional mentoring workshops, linkage to services and assistance to help families become independent, self sufficient and permanency through education and guidance. Assist participants through their current crisis that resulting in them being referred to BSFICC. An BSFICC manager will be assigned to assist participants with their serviced needs. Will provide service to open DCFS families and non DCFS families

### Fiscal Detail

**Proposed Contract Amount/Amount of Increase:**

Current Fiscal Yr: \$370,784.00  
Next Fiscal Yr: \$370,784.00

**Payment Method:**

Rate

☐Monthly Grant Payment X ☐Quarterly Grant Payment ☐

- ❖ For contract paid via a rate:
  - Has Division of Budget & Finance calculated rate already? (Y/N) \_\_\_\_\_
- ❖ For contract paid via monthly grant or quarterly grant:
  - Name on individual reconciling payments to actual costs submitted by provider: \_\_\_\_\_

Service Codes to be paid under contract: 0491

Appropriation Account Number from which the Division/Region intends to pay for this contract:  
72101 148-7-4900-18-00

First Choice: 220-41817-4900-18-00

Secondary Choice(if any):

How does Division/Region intend to pay for this contract?

Caro  
Process  
Mike  
Burns



Request increase in Allocation: ☐ Decrease Other Contract(s): ☐ Use existing Allocation: ☒

If decrease, Identify contracts to be decreased:

<u>Provider</u>	<u>Contract Number</u>	<u>\$ Reduction Amount</u>

Other Contract Changes:

Rate Adjustment: \_\_\_\_\_ Program Plan Change: \_\_\_\_\_ Other: \_\_\_\_\_

**Management Review / Approval: (In order of sign-off's necessary)**

Recommending Deputy Director (originating Division): \_\_\_\_\_

Date: 8/14/08 Comments / Recommendations:   

Budget Office Review: Date: 8/22/08

BUDGET REVIEW FOR ACTUAL  
EXPENSE COSTS

Contracts Office Review: Date: \_\_\_\_\_

Claiming Review by: \_\_\_\_\_

Date: 8/27/08

claimed under title X

Director's Disposition:

Approval    Disapproval \_\_\_\_\_ Modification \_\_\_\_\_ See Comments \_\_\_\_\_

Director's Comments:

Approved copy to be forwarded to:

- ✓ Manager of Contract Administration – Resa Earley
- ✓ State Procurement Officer – Sharon Clanton



**Department of Children and Family Services****For Contracts in Group - COUNSELING - SPEC - NON STANDARD PP-28****For FY 2006****Descriptor Code CSA**Provider **435346** **DIVERSIFIED BEHAVIORAL COMPREHENSIVE CAR**

JUN 24 2005

Contract Number **4353469016**Lead Region **28**Program Name **Advocacy Outreach and Support**Contract Term **7/1/2005 Through 6/30/2006**Curr Yr Direct Serv **\$592,230.00** Total Direct ServCurr Yr Expenses **\$0.00** Total ExpensesCurr Yr Total **\$592,230.00** Total

FY 03 Expenditure

FY 04 Expenditure

FY 05 YTD Exp

Geographic Area

Population Served

Contract Comments

Advocacy Outreach and Support

Contract Rates

Count	Freq	Service Narrative	Begin	End	Serv	Amount
01	OT	Advocacy Outreach	7/1/2005	6/30/2006	0491	\$148,057.50

Comments

28 0014181744000300 this program was administered by Illinois One Family One Child in FY05.

28 2204181744000300 This program was administered by Illinois One Family One Child in FY05..

**Program Summary****Recommended by Deputy Director**

Thursday, June 23, 2005

Date

Page 1 of 1

**Richner, Jennifer**

---

**From:** Richner, Jennifer  
**Sent:** Wednesday, March 22, 2006 4:03 PM  
**To:** Moreno, Cynthia  
**Cc:** Earley, Resa  
**Subject:** Diversified Behavioral Comprehensive Care

Cynthia - I was informed that the contract with Diversified Behavioral Comprehensive Care #4353469016 that was with External Affairs has now been assigned to Service Intervention. This program is for the Advocacy Outreach and Support, (Bloomington). There was a MOU amended into this contract for \$249,000.00 effective 1/1/06. The amendment was processed without a program plan and a budget, not our normal process. Per the instructions from the Governor's Office, we could not wait to get the program plan and budget.

Today I received the program plan and budget for the \$249,000.00 MOU from Dr. George Smith. The program plan submitted is for the Fatherhood Initiative. I will include this in the contract file but I wanted to make sure you got a copy. I will be faxing the program plan and budget to Darlene. I have already let Darlene know that this was being faxed to her today. I told Dr. Smith that Darlene would be contacting him. He is looking for his payment.

**Richner, Jennifer**

---

**From:** Chasey, Larry  
**Sent:** Monday, March 13, 2006 12:28 PM  
**To:** Richner, Jennifer  
**Cc:** Earley, Resa  
**Subject:** RE: Approval Needed on Amendment

Approved by this email, unless I need to go into Access and do it there.

Larry

Office: 309-937-1071 Fax: 309-937-1076  
Cell: 309-236-0987  
Text Message: 3092360987@vtext.com

-----Original Message-----

**From:** Richner, Jennifer  
**Sent:** Monday, March 13, 2006 7:50 AM  
**To:** Chasey, Larry  
**Cc:** Earley, Resa  
**Subject:** Approval Needed on Amendment

Larry I need your approval to change the Comptroller Certified Name on Diversified Behavioral Comprehensive Care and change their address on both contracts, #4353464016 and 4353469016.

**Richner, Jennifer**

---

**From:** Hobson, Derek  
**Sent:** Tuesday, January 10, 2006 3:10 PM  
**To:** Richner, Jennifer  
**Subject:** FW: 2 MOU payments

fyi

-----Original Message-----

**From:** Piwowarski, Barbara  
**Sent:** Tuesday, January 10, 2006 2:51 PM  
**To:** Hobson, Derek; Ferro, Chris; Earley, Resa; Turner, Brian; Becker, Marvin  
**Subject:** 2 MOU payments

Per the Governor's office, we have to process the payments for the following MOU's immediately:

Diversified Behavioral - \$250,000  
Institute for Positive Living - \$225,000

Our normal process is to get a program plan & budget from the provider before we process a contract amendment. However, per this instruction, we cannot wait to complete our process first.

Please process the payments immediately & continue to work with the provider to get the appropriate paperwork.

thanks!  
barb

Barb Piwowarski  
IL Department of Children & Family Services  
Chief Financial Officer  
Chicago - (312)814-6875  
Springfield - (217)524-1510

**Richner, Jennifer**

---

**From:** Bailey, Craig  
**Sent:** Tuesday, January 10, 2006 3:36 PM  
**To:** Ferro, Chris; Richner, Jennifer  
**Cc:** Piwowski, Barbara; Hobson, Derek; Earley, Resa; Turner, Brian; Becker, Marvin  
**Subject:** RE: 2 MOU payments

Per instructions the funds have been added to allocations. As the contracts were both previously in Region 28, and we have no indication that the additional services are of a different type than the previous ones, the additional allocations have been made in Region 28.

The Institute of Positive Living contract allocation has been made in Foster Care Initiative, 220-41817-4900-22-00.  
The Diversified Behavioral contract allocation has been made in Counseling, 220-41817-4400-03-00.

-----Original Message-----

**From:** Ferro, Chris  
**Sent:** Tuesday, January 10, 2006 3:24 PM  
**To:** Piwowski, Barbara; Hobson, Derek; Earley, Resa; Turner, Brian; Becker, Marvin; Bailey, Craig  
**Subject:** RE: 2 MOU payments

Craig -  
I spoke with Barb on the amounts.

I advised Barb that I have the program plan and budget that I can amend in the IPL contract. IPL is to go out at \$221,197.00

Diversified Behavioral is \$249,000.00.

-----Original Message-----

**From:** Piwowski, Barbara  
**Sent:** Tuesday, January 10, 2006 2:51 PM  
**To:** Hobson, Derek; Ferro, Chris; Earley, Resa; Turner, Brian; Becker, Marvin  
**Subject:** 2 MOU payments

Per the Governor's office, we have to process the payments for the following MOU's immediately:

Diversified Behavioral - \$250,000  
Institute for Positive Living - \$225,000

Our normal process is to get a program plan & budget from the provider before we process a contract amendment. However, per this instruction, we cannot wait to complete our process first.

Please process the payments immediately & continue to work with the provider to get the appropriate paperwork.

thanks!  
barb

Barb Piwowski  
IL Department of Children & Family Services  
Chief Financial Officer  
Chicago - (312)814-6875  
Springfield - (217)524-1510

4353469027

**Maroon, Eva**

---

**From:** McEwen, Erwin  
**Sent:** Tuesday, September 26, 2006 1:21 PM  
**To:** Maroon, Eva  
**Cc:** Ferro, Chris; Moreno, Cynthia  
**Subject:** RE: 2 new FCA Contracts

You will have to list me as both and once I get them up and running I will pass the monitoring off to Cynthia's unit.

-----Original Message-----

**From:** Maroon, Eva  
**Sent:** Tuesday, September 26, 2006 10:48 AM  
**To:** McEwen, Erwin  
**Cc:** Ferro, Chris  
**Subject:** 2 new FCA Contracts  
**Importance:** High

Mr. McEwen, I am doing the Access entry for the 2 new FCA contracts: Chicago Area Project and Diversified Behavioral Comprehensive Care. I am ready to send you the "recommending" for your signature but it occurs to me that you probably shouldn't be listed as the monitor and sign the recommending. Is there someone on your staff that could be listed as the monitor? I am suggesting this in terms of how it would look to audits.



**Department of Children and Family Services**  
**For Contracts in Descriptor Code - FCA**  
**For FY 2007**

<b>Descriptor Code</b>	FCA		
<b>Provider</b>	DIVERSIFIED BEHAVIORAL COMPREHENSIVE CAR	435346	
<b>Contract Number</b>	4353469027		
<b>Lead Region</b>	37		
<b>Program Name</b>	PATERNAL INVOLVEMENT CENTER		
<b>Contract Term</b>	9/1/2006 Through 6/30/2007		
<b>Curr Yr Direct Serv</b>	\$250,000.00	<b>Total Direct Serv</b>	<b>Client Served</b>
<b>Curr Yr Expenses</b>	\$0.00	<b>Total Expenses</b>	<b>Both</b>
<b>Curr Yr Total</b>	\$250,000.00	<b>Total</b>	<b>Years with DCFS:</b>
<b>FY 04 Expenditures</b>			0
<b>FY 05 Expenditures</b>			<b>Any Given Time Cap</b>
<b>FY 06 YTD Exp</b>			0
<b>Geographic Area</b>			<b>Annual Capacity:</b>
			0
			<b>FY 06 Latest Month Paid</b>

**Population Served****Contract Comments**

Encourage paternal involvement by removing barriers such as: employment, continuing educ, parent educ, counseling svcs and visitation ctr.

**Contract Rates**

Count	Freq	Service Narrative	Begin	End	Serv	Amount
00					0000	\$0.00
00					0000	\$0.00
01	OT	family education services 1 Month of svc.	9/1/2006	9/30/2006	0409	\$25,000.00
02	OT	family education services - 1 quarter	10/1/2006	6/30/2007	0409	\$75,000.00

**Comments**

- 37 2204181749001700 New contract effective 9/1/06. Serving Cook Co wards who are fathers and fathers of wards to allow them to become effective and involved parents and remove barriers that would prevent them from being connected to their children. Cook Co area.
- 37 2204181749001800 New contract effective 9/1/06. Serving Cook Co wards who are fathers and fathers of wards to allow them to become effective and involved parents and remove barriers that would prevent them from being connected to their children. Cook Co area.

**Program Summary**

McEwen, Erwin

**Recommended by Deputy Director**

Tuesday, September 26, 2006

9/29/2006  
Date

Page 11 of 16

TOTAL P.03

**Maroon, Eva**

---

**From:** Bailey, Craig  
**Sent:** Wednesday, September 20, 2006 12:43 PM  
**To:** Maroon, Eva; Hobson, Derek  
**Cc:** McEwen, Erwin; House, Jason  
**Subject:** Funding for Fatherhood Initiative--PIP & FC, Reg. 37

A new Purchase of Service Region has been created for Div. of Quality Assurance service programs: Region 37. This region is already in use for contractual services under "POS/APT Teams". This is as close as we can come within the system to a proper choice. (To create a genuinely new region and hard code it into the computer system cost \$30,000 five years ago, and would probably cost \$50,000 today at the new, higher CMS rates for programmers now prevailing.)

\$100,000 has been allocated in PIP funds (220-41817-4900-17-00, Reg. 37).

\$300,000 has been allocated in CSF Foster Care funds (220-41817-4900-18-00, Reg. 37).

The Diversified Behavioral Comprehensive Care contract should be obligated \$50,000 from PIP and \$200,000 from 220-Foster Care.

The Chicago Area Project contract (with attached Illinois Council of Area Projects subcontract) should be obligated \$50,000 from PIP and \$100,000 from 220- Foster Care.

TOS- 0409  
Grant

Memorandum

To: Director Bryan Samuell  
From: Deputy Director Erwin McEwen  
Date: 7/24/2006  
Re: Fatherhood Initiative Phase IV

---

**Fatherhood Initiative**

The Department is moving to broaden the perspective of paternal involvement. It's more than a mandate; it's the right approach for the welfare of the children in DCFS care. The challenge in going forward is to recognize fathers as an important part of their child's development and to take action to engage them and utilize their families as resources.

While new programs or policy changes usually accompany most DCFS initiatives, this initiative is about a paradigm shift. In an examination of the Department's policies' reference to parents, it is revealed that most are non-gender specific. In fact, the three terms most often used are: Parent, Custodial Parent; and Non-Custodial Parent. Somehow in day-to-day child welfare practice, it appears, the term parent has been interpreted to mean mother. In doing so, potential resources for the vulnerable children served by DCFS are drastically reduced. This initiative is about the child welfare practitioners being aware that these children have fathers and that they should be engaged in the same manner as mothers are engaged. This initiative will have the child welfare practitioners ask the question in each of their cases, where is this child's father and what help and resources might this child receive to obtain better outcomes? This initiative is about supervisors, in the course of supervision, inquiring of workers what have been their efforts to engage the fathers in services and case planning?

The Fatherhood Initiative Training for Caseworkers marked the beginning of a new way of thinking for DCFS about how fathers' should be engaged and involved with their children. In June 2006, the Department of Children and Family Services Fatherhood Initiative and Diversified Behavioral Comprehensive Care hosted a two-day Fatherhood Forum in Itasca, Illinois. The purpose of the Fatherhood Forum was to: (1) bring organizations and agencies together who have male involvement programs or work in some capacity with fathers; (2) discuss key issues that confront

July 24, 2006

this population; and (3) generate solutions and work groups/collaborations that will move from this forum and work more effectively with this population.

The first three phases of this initiative, which included an Executive Summit, Supervisor Training and Caseworker Training, were completed in June 2006. Phase Four of the initiative will identify father-specific services to address some of the unique needs of these parents.

Three Providers have been identified to develop direct services for fathers involved in child welfare cases.

Management Planning Institute will develop a Paternal Involvement Center offering a range of services and ability to have other state agencies build on to this service delivery platform. We would Fund \$250,000.

Centers For New Horizon will Develop a Fathers and family Center which would focus on Father Services, but in the context of healthy families. We would fund \$150,000

Chicago Area Projects will develop father services in downstate urban areas utilizing their area partners. We would fund \$150,000.

- ☒ I approve all three programs  
☐ I do not approve all three programs  
☐ I approve the following programs of the three  
☐ I do not approve the following programs of the three



**Department of Children and Family Services**  
**COUNSELING - SPEC - NON STANDARD PP 1**  
**For FY 2008**

<b>Descriptor Code</b>	<b>CSA</b>	
<b>Provider</b>	<b>DIVERSIFIED BEHAVIORAL COMPRE HENSIV CARE</b>	<b>435346</b>
<b>Contract Number</b>	<u>4353469038</u>	
<b>Lead Region</b>	32	
<b>Program Name</b>	Students At Risk	
<b>Contract Term</b>	7/1/2007 Through 6/30/2008	
<b>Curr Yr Direct Serv</b>	\$450,000.00	<b>Total Direct Serv</b>
<b>Curr Yr Expenses</b>	\$0.00	<b>Total Expenses</b>
<b>Curr Yr Total</b>	\$450,000.00	<b>Total</b>
<b>FY 05 Expenditures</b>		<b>Client Served</b>
<b>FY 06 Expenditures</b>		<b>Years with DCFS:</b>
<b>FY 07 YTD Exp</b>		<b>Any Given Time Cap</b>
<b>Geographic Area</b>		<b>Annual Capacity:</b>
<b>Population Served</b>		<b>FY 07 Latest Month Paid</b>
<b>Contract Comments</b>	Both	
Contract for Students At Risk.	0	
	0	
	0	

<b>Contract Rates</b>					
<b>Coun</b>	<b>Freq</b>	<b>Service Narrative</b>	<b>Begin</b>	<b>End</b>	<b>Serv</b>
01	QT	Students At Risk Program	7/1/2007	6/30/2008	.0491
					<b>Amount</b>
					\$112,500.00

**Comments**

32 2204181744000300 Approved by Acting Director for FY08. \$100,000 was previously funed in CPPM in FY07 moved to CFS Counseling in FY08. Overall total same as FY07.

32 2204181744000800 Funding will not be split into the Counseling and CPPM. Counseling will be funding the \$450.000

**Program Summary**

5-20-07

Moreno, Cynthia  
 Recommended by Deputy Director

Date

Thursday, May 17, 2007

Page 219 of 446

**Richner, Jennifer**

---

**From:** Hobson, Derek  
**Sent:** Thursday, March 01, 2007 4:53 PM  
**To:** Richner, Jennifer  
**Cc:** Hobson, Derek  
**Subject:** FW: Diversified Behavioral Health

#4353469037

Jennifer, we will use the attached emails as our approval to process the Diversified Student at Risk Program and adding the additional funds for the Light of the World Christian Arts Program. This is in lieu of following our decision memo process. Thanks Derek

---

**From:** Piowowski, Barbara  
**Sent:** Thursday, March 01, 2007 2:55 PM  
**To:** McEwen, Erwin; Ostro, Ginger  
**Cc:** Hobson, Derek  
**Subject:** RE: Diversified Behavioral Health

can we get a program plan for the work Light of the World Christian Arts will be doing to include with the contract  
thanks

-----Original Message-----

**From:** McEwen, Erwin  
**Sent:** Thursday, March 01, 2007 2:51 PM  
**To:** Ostro, Ginger; Piowowski, Barbara  
**Subject:** RE: Diversified Behavioral Health

No problem

---

**From:** Ostro, Ginger [mailto:Ginger.Ostro@Illinois.gov]  
**Sent:** Thursday, March 01, 2007 8:23 AM  
**To:** McEwen, Erwin; Piowowski, Barbara  
**Subject:** RE: Diversified Behavioral Health

One more request... can we add \$25 K to this grant so that they can be the fiscal agent for a smaller organization that we also intend to fund (Light of the World Christian Arts)? It would really help out.  
Thanks!

ginger

---

**From:** McEwen, Erwin [mailto:Erwin.McEwen@Illinois.gov]  
**Sent:** Wednesday, February 07, 2007 9:14 PM  
**To:** Ostro, Ginger; Piowowski, Barbara  
**Subject:** RE: Diversified Behavioral Health

You are always welcome.

---

3/2/2007

**From:** Ostro, Ginger [mailto:Ginger.Ostro@Illinois.gov]  
**Sent:** Wednesday, February 07, 2007 2:58 PM  
**To:** McEwen, Erwin; Piwowarski, Barbara  
**Subject:** Re: Diversified Behavioral Health

Thank you thank you thank you!

Sent from my BlackBerry Wireless Handheld

-----Original Message-----

**From:** McEwen, Erwin <Erwin.McEwen@illinois.gov>  
**To:** Ostro, Ginger; Piwowarski, Barbara  
**Sent:** Wed Feb 07 14:35:21 2007  
**Subject:** Re: Diversified Behavioral Health

I will call them today and get something. You can let them know we are moving on it.

Sent from my BlackBerry Wireless Device

-----Original Message-----

**From:** Ostro, Ginger <Ginger.Ostro@Illinois.gov>  
**To:** Piwowarski, Barbara; McEwen, Erwin  
**Sent:** Wed Feb 07 14:15:54 2007  
**Subject:** RE: Diversified Behavioral Health

ok. have we reached out to them to request a proposal? If so, I can let senate staff know they have been contacted.

-----Original Message-----

**From:** Piwowarski, Barbara [mailto:Barbara.Piwowarski@illinois.gov]  
**Sent:** Wednesday, February 07, 2007 2:14 PM  
**To:** McEwen, Erwin; Ostro, Ginger  
**Subject:** RE: Diversified Behavioral Health

and as soon as i get something from Diversified, we can put a contract together.

-----Original Message-----

**From:** McEwen, Erwin  
**Sent:** Wednesday, February 07, 2007 2:13 PM  
**To:** Ostro, Ginger  
**Cc:** Piwowarski, Barbara  
**Subject:** Re: Diversified Behavioral Health

Yes I contact them and asked Barb to get this going.

Sent from my BlackBerry Wireless Device

-----Original Message-----

**From:** Ostro, Ginger <Ginger.Ostro@Illinois.gov>  
**To:** McEwen, Erwin; Piwowarski, Barbara  
**Sent:** Wed Feb 07 13:15:49 2007  
**Subject:** RE: Diversified Behavioral Health

Did you find out the status of this? Senate staff is calling again....

3/2/2007



We just need someone to reach out to them to indicate their grant will be increased by \$450K and then begin processing the paperwork/proposal. I believe we have funded them for the same type of projects in the past. thanks!

---

From: McEwen, Erwin [mailto:Erwin.McEwen@illinois.gov]  
Sent: Friday, February 02, 2007 1:04 PM  
To: Ostro, Ginger; Piwowarski, Barbara  
Subject: RE: Diversified Behavioral Health

Ginger

I will check on this and give you a call Monday. I am still in Springfield and about to get on the road now.

—Original Message—

From: Ostro, Ginger [mailto:Ginger.Ostro@Illinois.gov]  
Sent: Friday, February 02, 2007 8:48 AM  
To: McEwen, Erwin; Piwowarski, Barbara  
Subject: Diversified Behavioral Health

I forgot to raise this yesterday. In FY 06, DCFS funded an expansion to Diversified for services in Senator Hunter's area. We requested and Bryan agreed several months ago to provide \$450K in FY 07 funds to this organization for similar services. Could you tell me the status of this expansion? Feel free to give me a call (I'm back in Chicago today) if you need more info.

thanks!

ginger

Ginger Ostro  
Governor's Office of Management and Budget  
312-814-5743 (chicago)  
217-782-5888 (springfield)

3/2/2007



**Department of Children and Family Services**  
**COUNSELING - GENERAL**  
**For FY 2009**

**Descriptor Code** CSA  
**Provider** DIVERSIFIED BEHAVIORAL COMPREHENSIV CARE 435346  
**Contract Number** 4353469049  
**Lead Region** 74  
**Program Name** P.A.C.T.  
**Contract Term** 7/1/2008 Through 6/30/2009  
**Curr Yr Direct Serv** \$187,602.50 **Total Direct Serv** **Client Served** Both  
**Curr Yr Expenses** \$18,947.50 **Total Expenses** **Years with DCFS:** 0  
**Curr Yr Total** \$206,550.00 **Total** **Any Given Time Cap** 0  
**FY 06 Expenditures** **Annual Capacity:** 0  
**FY 07 Expenditures** **FY 08 Latest Month Paid**  
**FY 08 YTD Exp**  
**Geographic Area**

**Population Served** DCFs wards

**Contract Comments**

Agency will provide transitional Psychiatric mental health services to Children & Youth in Cook County identified through Integrated Assessment or other sources.

**Contract Rates**

Count	Freq	Service Narrative	Begin	End	Serv	Amount
01	QT	Psychiatric Services	7/1/2008	6/30/2009	0491	\$206,550.00

**Comments**

74 0014181744000300 New contract will house the Cook site of the P.A.C.T. Clinic providing psychiatric services to cook wards.  
 74 2204181744000300 New contract will house the Cook site of the P.A.C.T. Clinic providing psychiatric services to cook wards. Increase of \$63,750 over FY 08 amount in 401 contract per email of 03/14/08. CMK

**Program Summary**

Williams, Velma

Recommended by Deputy Director

Tuesday, May 06, 2008

5/14/08  
 Date



m  
10/16/10

File

# Request for New Contract or Increase to Existing Contract

## General Contract Information

Division Initiating Request: Field Operations

Provider Name: Diversified Behavioral Comprehensive Care (DBCC- fiscal agent) Bright Star 4353469070  
Advocacy Center

Principal Location of Service: 735 East 44<sup>th</sup> st. Chicago, Illinois 60653

(not necessarily the same as provider's legal address)

New Contract ☒ Increase Existing Contract ☐ (Contract #: \_\_\_\_\_)

Effective Date: 02-01-10 5/1/10 End Date: 6-30-10

### Narrative Description of Contract Services:

Provide professional advocacy, parent coaching, intensive mediation, linkage to services, counseling, case management and 24 hour crisis response with systematic support services that will enable families to become self sufficient and remain a family unit. The services will be provided after comprehensive involvement with the family and also family friends/other supporters to assure that the family is in step with the services offered in the service plan. Services will generally continue for six months however, an assessment will be completed for the need of extended services. These services are to assist in expediting a return home of children in care and also to prevent children from coming into care when the family is at risk of their children being removed.

## Fiscal Detail

Proposed Contract Amount/Amount of Increase: \_\_\_\_\_ Current Fiscal Yr: 441,667 \$250,000.00 pro-rated for five months  
Next Fiscal Yr: \$250,000.00

### Payment Method:

Rate ☐ Monthly Grant Payment ☒ Quarterly Grant Payment ☐

❖ For contract paid via a rate:  
▪ Has Division of Budget & Finance calculated rate already? (Y/N) \_\_\_\_\_

❖ For contract paid via monthly grant or quarterly grant:  
▪ Name on individual reconciling payments to actual costs submitted by provider: \_\_\_\_\_

Service Codes to be paid under contract: 0491

Appropriation Account Number from which the Division/Region intends to pay for this contract:  
First Choice: 220-41817-4400-03-00

Secondary Choice(if any): \_\_\_\_\_

How does Division/Region intend to pay for this contract?

Request increase in Allocation ☒ Decrease Other Contract(s): ☐ Use existing Allocation ☐

If decrease, identify contracts to be decreased:

<u>Provider</u>	<u>Contract Number</u>	<u>\$ Reduction Amount</u>

Other Contract Changes:

Rate Adjustment: \_\_\_\_\_ Program Plan Change: \_\_\_\_\_ Other: \_\_\_\_\_

**Management Review / Approval: (In order of sign-off's necessary)**

Recommending Deputy Director (originating Division): \_\_\_\_\_

Date: 1/19/10 Comments / Recommendations:  

Budget Office Review: Date: 5/6/10

Contracts Office Review: Date: 5/6/10

Claiming Review by: \_\_\_\_\_

Date: 5-26-10

NO Kid SPECIFIC, NO claiming

Director's Disposition:

Approval ☒ Disapproval ☐ Modification ☐ See Comments ☐

Director's Comments:

Approved copy to be forwarded to:

# **Exhibit 3**

Richner, Jennifer

---

From: Richner, Jennifer  
Sent: Wednesday, March 22, 2006 4:03 PM  
To: Moreno, Cynthia  
Cc: Earley, Resa  
Subject: Diversified Behavioral Comprehensive Care

Cynthia - I was informed that the contract with Diversified Behavioral Comprehensive Care #4353469016 that was with External Affairs has now been assigned to Service Intervention. This program is for the Advocacy Outreach and Support, (Bloomington). There was a MOU amended into this contract for \$249,000.00 effective 1/1/06. The amendment was processed without a program plan and a budget, not our normal process. Per the instructions from the Governor's Office, we could not wait to get the program plan and budget.

Today I received the program plan and budget for the \$249,000.00 MOU from Dr. George Smith. The program plan submitted is for the Fatherhood Initiative. I will include this in the contract file but I wanted to make sure you got a copy. I will be faxing the program plan and budget to Darlene. I have already let Darlene know that this was being faxed to her today. I told Dr. Smith that Darlene would be contacting him. He is looking for his payment.



Richner, Jennifer

---

From: Hobson, Derek  
Sent: Tuesday, January 10, 2006 3:10 PM  
To: Richner, Jennifer  
Subject: FW: 2 MOU payments

fyi

-----Original Message-----

From: Piwowski, Barbara  
Sent: Tuesday, January 10, 2006 2:51 PM  
To: Hobson, Derek; Ferro, Chris; Earley, Resa; Turner, Brian; Becker, Marvin  
Subject: 2 MOU payments

Per the Governor's office, we have to process the payments for the following MOU's immediately:

Diversified Behavioral - \$250,000  
Institute for Positive Living - \$225,000

Our normal process is to get a program plan & budget from the provider before we process a contract amendment. However, per this instruction, we cannot wait to complete our process first.

Please process the payments immediately & continue to work with the provider to get the appropriate paperwork.

thanks!  
barb

Barb Piwowski  
IL Department of Children & Family Services  
Chief Financial Officer  
Chicago - (312)814-6875  
Springfield - (217)524-1510

# **Exhibit 4**

**Richner, Jennifer**

---

**From:** Hobson, Derek  
**Sent:** Thursday, March 01, 2007 4:53 PM  
**To:** Richner, Jennifer  
**Cc:** Hobson, Derek  
**Subject:** FW: Diversified Behavioral Health

#4353469037

Jennifer, we will use the attached emails as our approval to process the Diversified Student at Risk Program and adding the additional funds for the Light of the World Christian Arts Program. This is in lieu of following our decision memo process. Thanks Derek

---

**From:** Piwowski, Barbara  
**Sent:** Thursday, March 01, 2007 2:55 PM  
**To:** McEwen, Erwin; Ostro, Ginger  
**Cc:** Hobson, Derek  
**Subject:** RE: Diversified Behavioral Health

can we get a program plan for the work Light of the World Christian Arts will be doing to include with the contract

thanks

-----Original Message-----

**From:** McEwen, Erwin  
**Sent:** Thursday, March 01, 2007 2:51 PM  
**To:** Ostro, Ginger; Piwowski, Barbara  
**Subject:** RE: Diversified Behavioral Health

No problem

---

**From:** Ostro, Ginger [mailto:Ginger.Ostro@Illinois.gov]  
**Sent:** Thursday, March 01, 2007 8:23 AM  
**To:** McEwen, Erwin; Piwowski, Barbara  
**Subject:** RE: Diversified Behavioral Health

One more request... can we add \$25 K to this grant so that they can be the fiscal agent for a smaller organization that we also intend to fund (Light of the World Christian Arts)? It would really help out. Thanks!

ginger

---

**From:** McEwen, Erwin [mailto:Erwin.McEwen@Illinois.gov]  
**Sent:** Wednesday, February 07, 2007 9:14 PM  
**To:** Ostro, Ginger; Piwowski, Barbara  
**Subject:** RE: Diversified Behavioral Health

You are always welcome.

---

3/2/2007

**From:** Ostro, Ginger [mailto:Ginger.Ostro@Illinois.gov]  
**Sent:** Wednesday, February 07, 2007 2:58 PM  
**To:** McEwen, Erwin; Piwowski, Barbara  
**Subject:** Re: Diversified Behavioral Health

Thank you thank you thank you!

Sent from my BlackBerry Wireless Handheld

-----Original Message-----

**From:** McEwen, Erwin <Erwin.McEwen@illinois.gov>  
**To:** Ostro, Ginger; Piwowski, Barbara  
**Sent:** Wed Feb 07 14:35:21 2007  
**Subject:** Re: Diversified Behavioral Health

I will call them today and get something. You can let them know we are moving on it.

Sent from my BlackBerry Wireless Device

-----Original Message-----

**From:** Ostro, Ginger <Ginger.Ostro@Illinois.gov>  
**To:** Piwowski, Barbara; McEwen, Erwin  
**Sent:** Wed Feb 07 14:15:54 2007  
**Subject:** RE: Diversified Behavioral Health

ok. have we reached out to them to request a proposal? If so, I can let senate staff know they have been contacted.

-----Original Message-----

**From:** Piwowski, Barbara [mailto:Barbara.Piwowski@illinois.gov]  
**Sent:** Wednesday, February 07, 2007 2:14 PM  
**To:** McEwen, Erwin; Ostro, Ginger  
**Subject:** RE: Diversified Behavioral Health

and as soon as i get something from Diversified, we can put a contract together.

-----Original Message-----

**From:** McEwen, Erwin  
**Sent:** Wednesday, February 07, 2007 2:13 PM  
**To:** Ostro, Ginger  
**Cc:** Piwowski, Barbara  
**Subject:** Re: Diversified Behavioral Health

Yes I contact them and asked Barb to get this going.

Sent from my BlackBerry Wireless Device

-----Original Message-----

**From:** Ostro, Ginger <Ginger.Ostro@Illinois.gov>  
**To:** McEwen, Erwin; Piwowski, Barbara  
**Sent:** Wed Feb 07 13:15:49 2007  
**Subject:** RE: Diversified Behavioral Health

Did you find out the status of this? Senate staff is calling again....

3/2/2007

We just need someone to reach out to them to indicate their grant will be increased by \$450K and then begin processing the paperwork/proposal. I believe we have funded them for the same type of projects in the past. thanks!

---

From: McEwen, Erwin [mailto:Erwin.McEwen@illinois.gov]  
Sent: Friday, February 02, 2007 1:04 PM  
To: Ostro, Ginger; Piwowarski, Barbara  
Subject: RE: Diversified Behavioral Health

Ginger

I will check on this and give you a call Monday. I am still in Springfield and about to get on the road now.

-----Original Message-----

From: Ostro, Ginger [mailto:Ginger.Ostro@illinois.gov]  
Sent: Friday, February 02, 2007 8:48 AM  
To: McEwen, Erwin; Piwowarski, Barbara  
Subject: Diversified Behavioral Health

I forgot to raise this yesterday. In FY 06, DCFS funded an expansion to Diversified for services in Senator Hunter's area. We requested and Bryan agreed several months ago to provide \$450K in FY 07 funds to this organization for similar services. Could you tell me the status of this expansion? Feel free to give me a call (I'm back in Chicago today) if you need more info.


thanks!

ginger

Ginger Ostro  
Governor's Office of Management and Budget  
312-814-5743 (chicago)  
217-782-5888 (springfield)

3/2/2007

# **Exhibit 5**

  
From: Broady, Ken  
Sent: Thursday, February 01, 2007 4:45 PM  
To: Peck, Kim  
Subject: RE: SYAB Billings  
Hi Kim-

After the Diversified contract arrived in OETS. Bryan Samuels ordered that the contract be monitored by Erwin McEwen solely. Although, this contract is listed under OETS the monitoring was handled in Erwin McEwen's shop. Darlene and I met with Erwin once and he advised us that we should play no role in this monitoring.

Thanks

-----Original Message-----

From: Peck, Kim  
Sent: Wednesday, January 31, 2007 2:33 PM  
To: Broady, Ken  
Subject: FW: SYAB Billings

Can you tell me more about what services Diversified Behavioral provides?

-----Original Message-----

From: Cannon, Darlene  
Sent: Wednesday, January 31, 2007 9:28 AM  
To: Peck, Kim  
Subject: RE: SYAB Billings

Let's meet before the meeting.

DBCC provides both individual and family counseling to families from various communities in the Bloomington and Normal area. They also provide domestic violence intervention and advocacy for families in the DCFS system, and collaborative work with various social and legal agencies from the area.

-----Original Message-----

From: Peck, Kim  
Sent: Wednesday, January 31, 2007 9:20 AM  
To: Cannon, Darlene  
Subject: RE: SYAB Billings

We can meet either before or after, whichever works better for you. I plan to be at the Peoria office by 9:30ish.

Do you what services are provided under the Diversified Behavioral contract? And, Cynthia would like to hold off for a little bit on asking Mac if it can be moved to the Director's office for 08.

-----Original Message-----

From: Cannon, Darlene  
Sent: Wednesday, January 31, 2007 9:18 AM

# **Exhibit 6**



---

**From:** McEwen, Erwin  
**Sent:** Friday, March 09, 2007 3:38 PM  
**To:** Piwowski, Barbara  
**Cc:** Moreno, Cynthia  
**Subject:** RE:

Barb

I understand. Cynthia read Barb's note below, because of her concerns your division will have to monitor these contracts. I would prefer you do the recommending also.

---

**From:** Piwowski, Barbara  
**Sent:** Friday, March 09, 2007 3:10 PM  
**To:** McEwen, Erwin  
**Subject:**

Mac

it is my understanding that you will be signing off as Director and recommending deputy and doing all the contract monitoring on the new Diversified Behavioral Services contract for \$450,000. it is my responsibility to let you know that this may be deemed a conflict of interest. The conflict surrounds the need for separation of duties between requesting, ordering, receipt and payment for goods or services. I also wanted to let you know what the expectations are that my unit has of other contract monitoring staff. They are described below. Please let me know if this is truly how you want to move forward.

The Contract Monitoring function includes review and authorization of bills for payments, regularly monitoring of budget and program reports to ensure that service funded is being provided. Routinely conducts on-site reviews to ensure vendor is in compliance with Dept. State, and Federal regulations outlined in contract and providing the service contracted for to the designated population. Works with OCA Analyst to make contracts changes as needed.

arb Piwowski  
IL Department of Children & Family Services  
Chief Financial Officer  
Chicago - (312)814-6875  
Springfield - (217)524-1510

# **Exhibit 7**

## **Murray, Denice**

---

**From:** Murray, Denice  
**Sent:** Wednesday, September 19, 2007 1:04 PM  
**To:** Moreno, Cynthia; Crump, Rochelle  
**Subject:** Re: POS

Cynthia,

I sent Rochelle to you. Pls review and advise. Thanks

-----Original Message-----

**From:** Moreno, Cynthia  
**To:** Crump, Rochelle  
**CC:** Murray, Denice  
**Sent:** Wed Sep 19 09:25:55 2007  
**Subject:** RE: POS

I would suggest you speak with Denice Murray as all new contracts are being reviewed first by the director's office. I have copied Denice on this email.

---

**From:** Crump, Rochelle  
**Sent:** Tuesday, September 18, 2007 5:23 PM  
**To:** Moreno, Cynthia  
**Subject:** POS

Deputy Moreno

I hope all is well with you! Would you please review the attached correspondence for consideration of services that may be needed in Post Adoption, Interventions or possibly in other areas of our agency? I met Dr. Barnes at the Team Illinois Englewood meeting. Dr. Barnes is interested in providing community service to our children and families. I am not sure what the procedures are for Dr. Barnes to submit a proposal but if you could assist in directing her I would appreciate it. Dr. Cynthia Drew Barnes, Ph.D., Chief Empowerment Officer can be contacted at:

P.O. Box 1796

Matteson, IL 60443

630.347.3507 or 708.570.1494

cynthiabarnes@learning4change.com

Thank you for your assistance.

Rochelle Crump, Chief

Office of African-American Services

1911-21 S. Indiana Room 404

Chicago, IL 60616

312/808-5268

312/808-5285

# **Exhibit 8**

**McEwen, Erwin**

---

**From:** McEwen, Erwin  
**Sent:** Thursday, December 16, 2010 3:15 PM  
**To:** Vennikandam, George  
**Cc:** Peterson, Dixie; Murray, Denice; Meza, Ricardo; Kane, Denise  
**Subject:** RE: January 11--supervision/mtg OIG  
 George,

I have not seen nor discussed the findings of this Quality Assurance review. The OIG should first discuss this information with me. I can then decide if and how any of the findings and recommendations should be shared with staff for training, policy and practice purposes. Since this meeting is intended for the purposes of supervision, this meeting is a bit presumptuous and appears to fall outside of the parameters of the OIG. The Office of the Inspector General based on its investigatory nature, is often intimidating and threatening to staff. Conversations are often presented as edicts and give the perception of influence and oversight of this Department that are in fact false and fall outside the scope of its authority.

If the OIG would like to meet with staff, she should advance that request through my office.

---

**From:** Vennikandam, George  
**Sent:** Thursday, December 16, 2010 10:20 AM  
**To:** McEwen, Erwin  
**Cc:** Murray, Denice  
**Subject:** FW: January 11--supervision/mtg OIG  
**Importance:** High

FYI. It is a Tuesday, but I plan to attend. Thanks.

---

**From:** Paniak, Meryl  
**Sent:** Thursday, December 16, 2010 10:09 AM  
**To:** Montalvo, Roi (DCP RA); McDaniels, Valerie; Matthews, Theresa (DCP RA)  
**Cc:** Vennikandam, George; McClay, Pamela  
**Subject:** January 11--supervision/mtg OIG  
**Importance:** High

January 11, 2011, is our next date for individual/group supervision---instead of meeting as usual... the OIG has asked to meet with us to share/discuss the findings of their Quality Assurance review on allegation 11.....cuts, bruises and welts investigations.

I have designated that time to meet with them. They will meet with us at 1921--either in George's office or in conference room on 2nd floor and we will begin at 10:00 am.

We can do our group supervision/prep for LM meeting at 1:00 pm

thanks

**Meryl Paniak**  
**Associate Deputy Director**  
**Child Protection, Cook County**  
**312-328-2135; FAX 312-328-2600/2176**  
 or  
**JOLIET FIELD OFFICE**  
**815-730-4321**

8/16/2011

# Exhibit 9

**McEwen, Erwin**

---

**From:** McEwen, Erwin  
**Sent:** Wednesday, March 09, 2011 1:51 PM  
**To:** Meza, Ricardo  
**Subject:** RE: Interview  
No problem. It is not important now.

---

**From:** Meza, Ricardo  
**Sent:** Monday, March 07, 2011 8:17 PM  
**To:** McEwen, Erwin  
**Subject:** RE: Interview

Dear Director McEwen:

I apologize for not responding sooner. I will have some time to speak tomorrow.

Please let me know what time will be good for you.

Thanks

---

**From:** McEwen, Erwin  
**Sent:** Monday, March 07, 2011 4:18 PM  
**To:** Meza, Ricardo  
**Subject:** Re: Interview

Can we have a conversation?

---

**From:** Meza, Ricardo  
**To:** McEwen, Erwin  
**Cc:** Kane, Denise; Escamilla, Edward  
**Sent:** Mon Mar 07 13:05:15 2011  
**Subject:** Interview

Dear Director McEwen:

The present direction of the on-going investigation requires our Office and the OIG-DCFS to reschedule the meeting that is set for Wednesday, March 9, 2011. We will contact you early next week in order to reschedule.

Ricardo Meza  
Executive Inspector General  
for the Agencies of the Illinois Governor  
32 West Randolph  
Suite 1900  
Chicago, Illinois 60601  
(P) 312.814.8268

8/4/2011



CONFIDENTIALITY NOTICE: This e-mail transmission (and/or the documents accompanying such) may contain confidential information. Such information is intended only for the use of the individual or entity named above. If you are not the named or intended recipient, you are hereby notified that any disclosure, copying, distribution, or the taking of any action in reliance on the contents of such information is strictly prohibited. If you have received this transmission in error, please immediately notify the sender by telephone to arrange for the secure return of the documents.